

## **Exhibit 6**

## MASTER SERVICE AND PHARMACY DISPENSING AGREEMENT

This Master Service and Pharmacy Dispensing Agreement (“Agreement”), dated as of January 11, 2013, by and between Medicis, The Dermatology Company, with principal offices located at 7720 N. Dobson Road, Scottsdale, AZ 85256 (“Manufacturer”), and PHILIDOR RX SERVICES, LLC (“Pharmacy”) with principal offices located at 400 Horsham Road, Suite 109, Horsham, PA 19044..

### RECITALS

WHEREAS, Manufacturer manufactures (or has manufactured) and sells Solodyn and Ziana and other additional products as may be identified from time to time by Manufacturer (such other additional products being the “Additional Products”) approved by the U.S. Food and Drug Administration; and

WHEREAS, Manufacturer intends to authorize Pharmacy to dispense Products subject in all cases to the restrictions set forth in this Agreement throughout the United States and its territories (the “Territory”).

WHEREAS, Manufacturer may elect to authorize Pharmacy to dispense Additional Products, pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth below, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

### Article I DEFINITIONS

- 1.1 “Adverse Event” means any “Adverse Drug Experience” as defined at 21 CFR § 314.80 and/or 21 CFR § 600.80, as applicable, or any replacements thereto.
- 1.2 “Affiliate” means, with respect to any person or entity, any other person or entity which directly or indirectly controls, is controlled by, or is under common control with such person or entity, whether by contract, ownership of stock or other controlling ownership interest, or otherwise.
- 1.3 “business day” means any day other than Saturday, Sunday or any day on which the banks in Arizona or Maryland are closed for business.
- 1.4 “Clean Claim” or “Clean Prescription” means a claim or an order related to the fulfilling of a prescription for a Product received by Pharmacy related to the dispensing of such Product that includes all relevant information required for Pharmacy to dispense such Product and/or submit applicable reimbursement information to the applicable payer.
- 1.5 “Consumer” means an individual to whom Pharmacy dispenses one or more Products, directly or indirectly, in the Territory.
- 1.6 “Cure” means written notice to start 30 day cure period.

- 1.7 “Effective Date” means the first date set forth above.
- 1.8 “FDA” means the U.S. Food and Drug Administration or any successor agency thereto .
- 1.9 “FDCA” means the Food, Drug, and Cosmetic Act, 21 USC §§ 301 *et seq.*, as amended from time to time.
- 1.10 “Law” means any and all laws, ordinances, rules, regulations, statutes, restrictions, judgments, orders or decrees, requirements, and standards of any governmental authority applicable to the activities contemplated by this Agreement, as adopted, amended, issued or decreed from time to time including, without limitation, the FDCA, the Employee Retirement Income Security Act of 1974, the Medicare and Medicaid Patient and Program Protection Act of 1987, the Health Insurance Portability and Accountability Act of 1996, the Omnibus Budget Reconciliation Act of 1990, the Medicare Modernization Act of 2003, the Social Security Act (including but not limited to the anti-kickback provisions set forth at 42 USC § 1320a-7b(b)), federal and state prohibitions on the submission of false claims (including but not limited to the provisions set forth at 42 USC §§ 1320a-7a and 3729), and including without limitation rules and regulations of the U.S. Department of Health Services Office of Inspector General and federal and state consumer protection and fraud statutes, as each of which may be amended from time to time.
- 1.11 “Party” means a party to this Agreement and “Parties” mean both parties to this Agreement.
- 1.12 “Products” means collectively Solodyn and Ziana and, if added at the option of Manufacturer and each Additional Products; and each is a “Product” as used in this Agreement.
- 1.13 “Wholesale Acquisition Cost” or “WAC” means with respect to any Product, the Manufacturer’s list price for such Product, as determined by Manufacturer from time to time.

## Article II PRODUCT DISPENSING

- 2.1 Prescription Fills and Reporting. Pharmacy shall provide Call Intake, Prior Authorization Services, Product dispensing, Product delivery, Product refill services, and Adherence services to Consumers referred to Pharmacy as set forth in Exhibit A (provided that if there is any inconsistency between this Agreement and Exhibit A, the provisions of Exhibit A shall control) and such other services as set forth herein or in Exhibit A hereto (collectively, the “Services”). Pharmacy shall adhere to the reporting requirements set forth in Exhibit C and shall use commercially reasonable efforts to meet the performance standards set forth in Exhibit D.
  - 2.1.1 Pharmacy shall only dispense the applicable Product(s) to Consumers that is not expired, damaged, shop worn, or withdrawn from sale.

- 2.1.2 Pharmacy shall provide pharmacy counseling services via telephone to Consumers receiving the applicable Product(s), including the availability of a licensed pharmacist for consultation and drug education.
- 2.1.3 Pharmacy (and any affiliate of Pharmacy providing service hereunder) shall maintain all licenses and permits required by Laws and all contracts with participating insurance companies and other third party payers to perform the activities contemplated by this Agreement. If the total population of participating insurance companies contracted with Pharmacy reduces from the total contracted as of the Effective Date, Pharmacy is required to notify the Manufacturer within two (2) business days of this reduction taking effect. At the sole discretion of the Manufacturer, if the reduction is deemed to materially impact the effectiveness of this program, this Agreement may be terminated pursuant to Section 6.2.1.
- 2.2 Fees. The Fee Schedule is set out in Exhibit B hereto and the Parties shall pay the fees and other amounts set out therein in accordance with the terms set out in such Exhibit B.

**Article III**  
**ADVERSE EVENT REPORTING,**  
**SUSPENSION AND RECALL**

- 3.1 Adverse Events. In the event Pharmacy is notified by any third party of an Adverse Event concerning any Product, Pharmacy shall immediately provide to such third party Manufacturer's customer service number at 800-900-6389. Pharmacy shall also report Adverse Event information directly to Manufacturer within twenty four (24) hours of notification of such Adverse Event utilizing Manufacturer's customer service number at 800-900-6389. Unless Pharmacy is required by Law to report a complaint or Adverse Event, only Manufacturer shall (i) notify the appropriate federal, state and local authorities of any complaints from Pharmacy, consumers, or end-users, Adverse Events, or other occurrences regarding any Product that are required to be reported, (ii) evaluate any and all written complaints from Pharmacy, physicians, Consumers, or end-users and Adverse Events, and (iii) respond regarding such complaints and Adverse Events, as Manufacturer deems appropriate.
- 3.2 Suspension of Dispensing. If requested by Manufacturer Pharmacy shall immediately suspend dispensing of any Product or all Products as required by Manufacturer and such Product will be eligible for returns under Manufacturer's return policy in effect at time of such suspension. The current version of Manufacturer's return policy is attached hereto as Exhibit E.
- 3.3 Product Recall. Manufacturer shall notify Pharmacy in the event of a Product recall or withdrawal and provide Pharmacy instructions on how to assist in implementing such recall or withdrawal. Manufacturer, in its sole and absolute discretion, shall determine what, if any, assistance to request and shall make such a determination on a case-by-case basis. Manufacturer shall compensate Pharmacy for the reasonable, out-of-pocket expense incurred in performing any services that are requested by Manufacturer in connection with any Product recall or withdrawal, related to costs of notification, returned Product and shipping of any recalled Product, except where the basis for such recall or withdrawal was the fault of Pharmacy. Pharmacy shall submit its claim for such expenses within thirty (30) calendar days of the incurrence of such expenses. As between

Pharmacy and Manufacturer, Manufacturer shall have sole discretion in determining whether a Product recall or withdrawal is required.

- 3.4 Recall Investigations. Pharmacy shall reasonably cooperate with Manufacturer and at Manufacturer's reasonable expense in investigating any Product failure that resulted in the need for a recall, provided that the Pharmacy's costs and expenses in cooperating with such investigations shall be borne by Pharmacy to the extent such recall was the fault of Pharmacy.
- 3.5 Survival. The provisions of this Article III shall survive the expiration or termination of this Agreement.

**Article IV  
REPRESENTATIONS, WARRANTIES,  
COVENANTS, INDEMNIFICATION AND DAMAGES**

4.1 Representations, Warranties, and Certain Covenants of Manufacturer.

- 4.1.1 Manufacturer covenants that, as of the date of shipment to Pharmacy, each Product shall (i) be free from defect in design, material and workmanship; (ii) be in compliance with Laws, including without limitation all regulatory requirements of the FDA; (iii) not consist of articles that may not be introduced into interstate commerce pursuant to the requirements of Section 505 of the FDCA; (iv) be manufactured in accordance with current FDA Good Manufacturing Practices as required by 21 CFR §§ 210 and 820; (v) be fit for the ordinary purpose for which such products are intended; (vi) not infringe upon the patents or trademarks of any third party; and (vii) have been approved by FDA pursuant to Section 505 of the FDCA.
- 4.1.2 Manufacturer represents, warrants and covenants that upon execution of this Agreement Manufacturer is, and throughout the term of this Agreement Manufacturer shall remain, in compliance with its obligations set forth in this Agreement and with Laws.
- 4.1.3 Manufacturer shall not require Pharmacy to use any proprietary or confidential information or material(s) belonging to any third party.
- 4.1.4 Manufacturer represents that it has the authority to enter into this Agreement and that its execution of this Agreement and its performance of its obligations hereunder will not conflict with and is not prohibited by any other agreement to which Manufacturer is a party.
- 4.1.5 Manufacturer covenants that upon delivery of Product to Pharmacy, Pharmacy will obtain good and marketable title to the Product so delivered to it.

4.2 Representations, Warranties, and Certain Covenants of Pharmacy.

- 4.2.1 Pharmacy (or any affiliate of Pharmacy providing service hereunder) represents and warrants that it now has and shall maintain in full force during the term of this Agreement all federal and state pharmacy and other licenses or approvals required by Pharmacy to fulfill its obligations under this Agreement. Pharmacy

shall provide Manufacturer with prompt notice of any material communications with pharmacy licensing boards (1) that relate to potential problems with facilities, operations or procedures used by Pharmacy in its dispensing of any Product, including notices of inquiries, investigations or inspections and resulting findings; or (2) which, or could reasonably be expected to, have a material and adverse impact on the Pharmacy's operations or the performance by Pharmacy of its obligations under and pursuant to this Agreement.

- 4.2.2 Pharmacy represents, warrants and covenants that upon execution of this Agreement Pharmacy is, and throughout the term of this Agreement Pharmacy shall remain, in compliance with its obligations set forth in this Agreement and with all applicable Laws.
- 4.2.3 Pharmacy represents and warrants that neither it nor any of its employees or Representatives has been or is debarred pursuant to the FDCA or has been or is excluded from participating in a federal health care program, including without limitation the Medicare and Medicaid programs. Moreover, Pharmacy covenants that in the event it or any of its employees or representatives are subsequently debarred under the FDCA or excluded from a federal health care program during the term hereof, Pharmacy shall promptly notify Manufacturer of such action
- 4.2.4 Pharmacy shall neither disclose to Manufacturer nor require Manufacturer to use any proprietary or confidential information or material(s) belonging to any third party.
- 4.2.5 Pharmacy represents and warrants that all of the Services provided hereunder shall be performed in accordance with all applicable Laws and in accordance with applicable industry standards.
- 4.2.6 Except as approved in writing in advance by Manufacturer, Pharmacy shall not offer any fee or remuneration, directly or indirectly, to physicians or other health care professionals who are in a position to prescribe Manufacturer's products or otherwise generate business for Manufacturer.
- 4.2.7 Pharmacy represents that it has the authority to enter into this Agreement and that its execution of this Agreement and its performance of its obligations hereunder will not conflict with and is not prohibited by any other agreement to which Pharmacy is a party.
- 4.2.8 Except as expressly required by this Agreement, Pharmacy shall not disclose to Manufacturer any information related to any Consumer such as name, postal or email address, telephone number, social security number, driver's license number, date of birth, demographic information, health, medical information, or physical or mental health or condition, or any other personally identifiable information or any other protected health information.
- 4.2.9 Pharmacy shall not make, use or distribute any promotional, advertising or similar materials with respect to any Product or the Services provided hereunder without the prior written approval of Manufacturer, which approval may be withheld at the Manufacturer's sole discretion.

4.3 Mutual Representations, Warranties and Covenants.

4.3.1 Each Party represents to the other that payments between the Parties pursuant to this Agreement are not intended in any way as remuneration for referrals of Consumers or for the placement of Product or any other medical product or device on any formulary. The Parties acknowledge that the federal anti-kickback statute, 42 U.S.C. § 1320a-7b(b), prohibits certain activities in connection with referring or arranging for business paid for by a federal healthcare program. Nothing contained in this Agreement shall be construed in any manner as an obligation or inducement for Pharmacy to recommend that health care providers or Consumers purchase Manufacturer's products or those of any organizations affiliated with Manufacturer. Both Manufacturer and Pharmacy acknowledge that this Agreement was negotiated at arms-length and that the compensation paid under this Agreement represents, to the best of their knowledge, the fair market value for the Services.

4.3.2 Each Party shall not use the trademark(s) or trade name(s) of the other except to the extent necessary for the performance of activities contemplated by this Agreement or with the express written consent of the other Party.

4.4 Indemnification by Manufacturer. Manufacturer shall indemnify, defend, and hold harmless Pharmacy and its Affiliates and their respective officers, directors, employees, and agents, (collectively, "Pharmacy Indemnitees") from and against any and all third party claims, demands, causes of action, losses, judgments, damages, costs, and expenses (collectively, "Losses") that the Pharmacy Indemnitees, or any of them, may suffer:

4.4.1 as a result of the death of, or bodily injury to, any person as a result of the use of any Product, (except to the extent that Pharmacy fails to comply with Manufacturer's returned goods policy with respect to such Product); or

4.4.2 any breach by Manufacturer of any of its representations, warranties, covenants or agreements contained in this Agreement; or

4.4.3 Manufacturer's or Manufacturer Indemnitees' negligence or willful misconduct.

Notwithstanding the foregoing, Manufacturer's liability to the Pharmacy Indemnitees pursuant to this Section 4.4 shall be reduced by the extent to which (if any) such Losses are caused by or arise out of (a) the negligence or intentional misconduct of Pharmacy or any of the Pharmacy Indemnitees; or (b) breach by Pharmacy or any of its Affiliates of this Agreement.

4.5 Indemnification by Pharmacy. Pharmacy shall indemnify, defend, and hold harmless Manufacturer and its Affiliates and their respective officers, directors, employees, agents, and subcontractors (collectively, "Manufacturer Indemnitees") from and against any and all Losses that the Manufacturer Indemnitees, or any of them, may suffer:

4.5.1 as a result of the operation of the Pharmacy or the performance by the Pharmacy of its duties hereunder; or

## EXHIBIT A

### PHARMACY ALTERNATE FULFILLMENT SERVICES

#### 1. GENERAL DESCRIPTION OF SERVICES

##### A. PROJECT SUMMARY, SCOPE AND SPECIFICATIONS

This Medicis Alternative Fulfillment Program (the “Medicis Sponsored Drug Program” or “Program”) provides eligible Consumers with the ability to receive Products as included within the Program. Manufacturer may add Additional Products by providing thirty (30) days written notice to the Pharmacy.

Consumers requesting fills will be provided Products in accordance with the Prescription and Program terms for such specific Product per Exhibit G. This Program will leverage Pharmacy’s ability to store and fulfill these prescriptions utilizing Product purchased directly from Medicis.

Physicians will educate their patients on the Medicis Sponsored Drug Program by providing them with a brochure and other materials (in each case in the form approved by Manufacturer’s FAC review process) explaining the details of the Program. Consumers will then call a toll-free telephone number provided in the brochure, which will be part of the intake process (“Intake”). Upon Intake, the Pharmacy will receive the Consumer call and complete the Intake as explicitly defined in Exhibit H. Once the Pharmacy has received the Consumer’s information via phone, it will conduct a benefits investigation over the phone on behalf of the Consumer to determine the most applicable pathway in which to send the Consumer within the Medicis Sponsored Drug Program. If the Consumer’s prescription is not covered by his or her insurance, causing the Consumer’s out of pocket cost to be greater than US\$20.00, or the Consumer does not have insurance, causing the Consumer’s out of pocket costs to be greater than US\$50.00, the Consumer is directed toward one of the paths documented in Exhibit I

If Pharmacy receives a phone call or a fax from a physician or retail pharmacy on behalf of the Consumer, Pharmacy will ensure it receives a Clean Prescription, Consumer contact information and required insurance pharmacy benefit information. Once it has this information, Pharmacy will contact the Consumer and follow the same process described in the preceding paragraph and applicable Exhibits.

If necessary, Pharmacy will work with the retail pharmacy to transition the prescription over to Pharmacy, ideally electronically or via fax. If Pharmacy is not able to get the retail pharmacy to transition over the prescription or the Consumer is not able to provide the prescription, Pharmacy will call the physician's office for a new prescription, as needed. Pharmacy will contact the Consumer in an attempt to resolve any issues regarding the retail pharmacy withholding medication fulfillment.

Services to be provided by the Pharmacy under this Agreement include:

- Enrollment and prescription intake via mail (fax or phone, or electronic if permissible under regulatory guidelines);
- Verification of Consumer eligibility via adjudication;
- Data entry of Consumer insurance and demographic information into pharmacy operating system;
- Adjudication of all insured pharmacy claims for pharmacy benefit coverage;

- Intake calls for prescription fulfillment, shipping and tracking (if shipment via trackable service required) of prescription to Consumer;
- Program data and reporting back to Manufacturer as listed in **Exhibit C**;
- Product orders, invoices to Manufacturer.
- Substitution and Fulfillment of Generic medication when Consumer does not have applicable drug coverage or drug coverage requires a step edit or PA prior to filling the Product;
- Proactive management, follow-up, and process of an required PA or step edits related to Product fulfillment; and
- Adherence activities to proactively follow-up with customer for covered Product refills.

**B. PROGRAM FEES**

Fee Schedule, as listed in **Exhibit B**.

**C. EMPLOYEE TRAINING**

- New employees, who will be speaking to Consumers, physicians or Pharmacists regarding this program, are to receive Manufacturer administered Compliance training prior to being placed on phones.
- Employees are to receive ongoing training on program operation reinforcement, process updates, and Customer Service expectations. Manufacturer to be provided materials unique to Program operations for review (e.g., SOPs, program related messaging and training materials, etc.).

**D. HIGH CUSTOMER SERVICE LEVELS INCLUDING ESCALATION PROCESS**

- Pharmacy to implement a customer service program that monitors the performance of its employees when interacting with Consumers, physicians, and pharmacists regarding the Medicis Sponsored Drug Program. This program will include monitoring phone conversations with customers for accuracy and professionalism as they relay the program parameters and assist the caller with issue resolution. In addition, when training employees prior to beginning processing orders in pharmacy operating system (“System”) or interacting with Customers, they are to be required to take a test that will exhibit their understanding of the program and their ability to interact with the Consumer or other caller in a professional and informative manner.
- Pharmacy to execute the physician escalation process including monitoring the escalation phone number and the escalation specific mail box. Issues called in are to be addressed within 24 hours by Pharmacy and logged by Pharmacy on a daily basis for weekly reporting to Manufacturer, upon request.

## 2. DETAILED DESCRIPTION OF SERVICES

### A. MEDICIS SPONSORED DRUG PROGRAM

#### Program Description

Medicis Sponsored Drug Program provides Products to eligible Consumers, leveraging Pharmacy's ability to store and fulfill these prescriptions utilizing Product purchased directly from Manufacturer, under the price and payment terms and conditions described in **Exhibit B**.

Consumer or Consumer's prescriber shall initiate Consumer enrollment activities into the Program executed by Pharmacy. Consumers who are deemed eligible and are willing to enroll in the Program will receive Products via ground or overnight delivery with tracking. The Program will not include prescriptions for (i) Consumers with an indicated age of 11 or younger or 65 or older, (ii) quantity dispensed greater than those outlined in **Exhibit G**, (iii) Pharmacy will use its best efforts to identify and exclude from the Program any prescription transaction applying a prescription discount card or identifying the payer, whether payment is in full or in part, as any state or federally funded program, including but not limited to Medicare or Medicaid, including Medicare Advantage and Part D prescription drug plans, Medigap, VA, DOD, TriCare or any other Federal or state programs (including pharmaceutical assistance programs).

Services rendered are:

#### New Prescription Order

- Upon intake of the Consumer's enrollment information and prescription, Pharmacy will input the claim into System, send email confirmation of the receipt of information (when Consumer provides valid email address) and contact the Consumer, where applicable, within one (1) business day of receipt of incomplete enrollment prescription in an attempt to resolve any issues withholding medication fulfillment.
  - If the Consumer is calling the Pharmacy, the Pharmacy will instruct the Consumer to get their prescription back from the retail pharmacist and mail it in with their enrollment information. If the Consumer is calling after visiting the retail pharmacy, Pharmacy will then work with that retail pharmacy to transition the prescription over to Pharmacy, and in this situation Pharmacy will accept the prescription transition electronically or via fax, or via any other transition method available under the regulatory requirements of each applicable state
  - A follow-up call to the Consumer will be performed by the Pharmacy after five (5) business days of initial outbound call, if the Consumer has not responded to the requests described in the preceding paragraph. If during the initial shipment processing or refill processing, the Consumer does not respond to the Pharmacy's attempts to contact him/her within five (5) business days of the initial outbound call, then the Pharmacy will mark the Consumer "cancelled" in the pharmacy operating system and no shipments will be sent to this Consumer unless the Consumer contacts the Pharmacy to be reactivated. Any communication to any Consumer marked as "cancelled" (including any customer service script to be used) within the pharmacy operating system shall be reviewed and approved by the Manufacturer prior to use in accordance with **Exhibit A**, Section 1C.

- Medication prescription fulfillment
  - Process order
    - When evaluating the Consumer's eligibility for the Program, if the Consumer or the prescription is deemed ineligible for a benefit through the Medicis Sponsored Drug Program, pharmacy is to mail the Consumer a Medicis FAC approved Non-Eligible Letter along with the original prescription.
    - When processing the claim, the Pharmacy is to adjudicate all non-cash paying transactions. If no rejection code is received, the claim is to be processed for insurance reimbursement and appropriate co-pay collected. If the insurance claim is adjudicated and a rejection code is received, it should be evaluated and reprocessed per written pharmacy SOPs as necessary. For example, if the rejection code requires a prior authorization/step edit, then no further action is considered necessary and the Consumer should be charged according to Program rules specifying a US\$20 co-pay or co-pay dictated by pharmacy insurance if less than US\$20. As another example, if the rejection code received states wrong gender or date of birth or that the name was spelled incorrectly, the claim data should be corrected, and then the claim be adjudicated and Consumer should be charged according to Program rules specifying a US\$20 co-pay or co-pay dictated by pharmacy insurance if less than US\$20.
    - All commercially insured claims should be reviewed and approved by designated pharmacy personnel that are knowledgeable of the adjudication process and acceptable rejections to ensure complete and accurate adjudication occurred and rejection code, if applicable, is properly documented.
  - Conduct First Pharmacist Verification
  - Complete the fulfillment process (pick/pack)
  - Shipping of Product(s), to the Consumer's address, from all applicable Pharmacy shipping facilities to be shipped via ground shipping service with tracking if within nine (9) business days of receipt of enrollment information and prescription. If shipment occurs after nine (9) business days from receipt of information, shipping of Product(s) to be sent via overnight shipping service with tracking. This includes shipments from the Pharmacy and all affiliate facilities.
  - Email shipment confirmation to be sent to Consumer (when Consumer provided valid email address) to occur within 24 hours of fulfillment process.
  - Total processing and shipment to Consumer to occur within a maximum of ten (10) business days from the receipt of enrollment information and prescription.
- Access to a pharmacist over phone during normal business hours of 8 a.m. to 8 p.m. ET.

- Product Quality Complaint (PQC) – any written or oral dissatisfaction relative to the design, appearance, identity, quality, durability, reliability, safety, effectiveness, or performance of a Product. Product failures or dissatisfaction resulting from long-term use, misuse, or accident are also considered complaints. PQC also includes product defects. In the event that it appears to the customer service representative (CSR) that a caller is reporting or potentially reporting an “Adverse Event” or Product Quality Complaints related to Products, Pharmacy CSR will transfer the phone call to Medicis Customer Service 800 550 5115.
- Product Replacement – As requested by Consumer, Product to be replaced by Pharmacy in the following scenarios: 1) Pharmacy at fault, 2) Delivery Service at fault, 3) Product damaged (other than as a result of the Pharmacy), and 4) Consumer at fault. An additional fill will be provided to replace any Product for loss of Product pursuant to clauses (2), (3) and (4). See Exhibit B for associated fee schedule.

### Refill Prescription Order

Refill Order will follow the same services rendered as noted above for new prescription orders except where described below:

- In the event of a non-covered claim, Consumer required to proactively initiate the refill process by calling Pharmacy for each of his/her refills. In the event of a covered claim, Consumer required to proactively initiate the refill process by calling Pharmacy for each of his/her refills.
- Pharmacy will provide the following services to Consumer calling in requesting a refill:
  - Intake order request
  - Process order
    - If during the refill process, Pharmacy validates the original Rx does not have available refills or has expired, then the Pharmacy will notify the Consumer of this status. Consumer will be instructed to contact his/her physician.
    - Verify continuation of eligibility.
  - Total processing and shipment of refills via ground shipping service with tracking to occur within a maximum of two (2) business days of receipt of refill request for all eligible refills on the original prescription.

### **B. REIMBURSEMENT PROCESS**

Pharmacy will determine the most applicable pathway in which to send eligible Consumers according to the process described below:

#### Insurance Non-covered Prescriptions:

When the results of the pharmacy claim adjudication shows the Consumer's pharmacy benefit coverage amount is \$0 (not covered) for reasons including but not limited to the Product is not covered by insurance or the prescription requires a “step edit” or prior authorization, Pharmacy

will process the request with Product purchased directly through the Medicis Sponsored Drug Program.

Pharmacy will collect the US\$20 Medicis Sponsored Drug Program co-pay from the Consumer.

Insurance Fully-covered Prescriptions:

When the results of the pharmacy claim adjudication shows based on the Consumer's pharmacy benefit coverage that the Consumer's pharmacy benefit coverage amount is equal to or greater than Product's WAC, Pharmacy will process the request through Product purchased directly through the Medicis Sponsored Drug Program. Under this scenario, Consumer pays co-pay dictated by pharmacy benefit coverage up to US\$20, and Pharmacy bills Manufacturer for any remaining amount of the co-pay dictated by pharmacy benefit coverage greater than US\$20 or remainder up to US\$20 if co-pay dictated by pharmacy benefit coverage is less than US\$20. Pharmacy will bill the balance of charges for the prescription to the Consumer's pharmacy benefit insurance provider.

Insurance Partially-Covered Prescriptions:

When the results of the pharmacy claim adjudication shows based on the Consumer's pharmacy benefit coverage that the Consumer's pharmacy benefit coverage amount is less than Product's WAC, Pharmacy will process the request with Product purchased directly through the Medicis Sponsored Drug Program.

Pharmacy will collect the US\$20 Medicis Sponsored Drug Program co-pay from the Consumer and will bill the allowable charges for the prescription to the Consumer's pharmacy benefit insurance provider.

Cash Prescriptions:

When the results of the insurance coverage verification indicate that the Consumer is not covered by Commercial or Federal/State insurance. Pharmacy will process the request as a Cash Transaction with Product purchased directly through the Medicis Sponsored Drug Program.

Pharmacy will collect the co-pay obligation of US\$50.00 from the Consumer.

Limited Trial Vouchers:

If a Limited Trial Voucher is submitted with prescription and Consumer meets Limited Trial Voucher eligibility, the above scenarios should be followed with the exception that no co-pay is collected from the Consumer.

## **Exhibit 7**

**Valeant Pharmaceuticals International, Inc.**

VRX, AGN - BUY - Doctor Calls Support Our View That Together VRX and AGN Would Be Formidable Competitor in Dermatology

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**FLASH NOTE**

SECTOR: Specialty Pharmaceuticals

September 19, 2014

**Given AGN & VRX's complementary business models, we think a merger of these companies could meaningfully advance their leadership in dermatology.** We spoke to five dermatologists over the past week to get an update on the dermatology market (existing drugs & in development). Overall, the calls increased our confidence that the dermatology market will continue to grow for the foreseeable future and this will be driven by innovation (much of it from smaller companies, with larger companies being net acquirors). Please see our note AGN, VRX - BUY - Deep Dive into Aesthetics Suggests Non-Surgical Procedures Next Growth Driver for details.

**We highlight the key takeaways from our call that support our views below.**

- Innovation in dermatology follows breakthroughs in science, and for decades there has not been anything exciting until recently. The doctors that we spoke with all noted that biologics (three marketed drugs, Enbrel, Humira and Stelara and seven in development, for psoriasis) have increased large pharma interest in dermatology. That said, dermatologists noted that most of the innovation is coming from smaller development stage companies such as Kythera (KYTH, NC, \$36.21), Revance (RVNC, NC, \$21.63), and Anacor (ANAC, NC, \$24.77), among others. Renewed interest by larger pharma companies in dermatology and innovation by smaller companies creates an environment ripe for consolidation, in our view. In fact, most standalone dermatology companies have historically been acquired (Connetics, Stiefel, Medicis, Obagi) for competitive multiples (3.9x EV/Historical Sales and 12.6x EV/Historical EBITDA).
- Dermatologists who we spoke with believe that AGN (BUY, \$169.97) and Galderma (Nestle, NESN.VX, \$70.35) are the highest quality dermatology companies and the best at marketing their products. They said VRX (BUY, \$120.52) has breadth of product portfolio (driven by all the companies they have bought in the space over the past several years). Therefore, we think the companies are complementary and together they would be a formidable competitor in the dermatology industry. Dermatologists have seen turnover of AGN sales reps and some disruption overall across companies as a result of M&A.
- The doctors we spoke with made some comments regarding AGN's products. One dermatologist gave the example that, even though AGN's Aczone did not show a great separation from placebo in the trials, it has still been a sizable drug in the industry because AGN does a good job of promoting their products. He uses Aczone in patients with inflammatory acne that do not respond to other agents that are more irritating. On the other hand, another dermatologist said that AGN's Tazorac was the most effective topical retinoid invented. Several dermatologists were interested in AGN's V-101 to treat rosacea.
- Some of the dermatologists we spoke with believe that VRX has better aesthetic physician dispensed skin products than AGN and that VRX's products are also more cost effective. They thought it would make sense for VRX to divest SkinMedica or integrate it into the Obagi line if the merger with AGN went through. On average, the AGN products cost \$500.00 and last for six weeks and the VRX products cost the same amount but last three to four months.
- Physicians had mixed opinions regarding alternate fulfillment channels. Some doctors believed it was a hassle (required doctor to do a lot of work they don't have time for), while some doctors said that certain companies had seamless alternate fulfillment programs. For examples, VRX's alternative fulfillment program was cited as an example of an option that was efficient. Patients are given a sample, tear sheet, and an RX from the doctor and the patient takes care of getting the drug by mail order. Doctors who we spoke with said VRX uses Philidor to process the order.

## VALEANT PHARMACEUTICALS INTERNATIONAL, INC.

SECTOR: SPECIALTY PHARMACEUTICALS

September 19, 2014

## ANALYST CERTIFICATION

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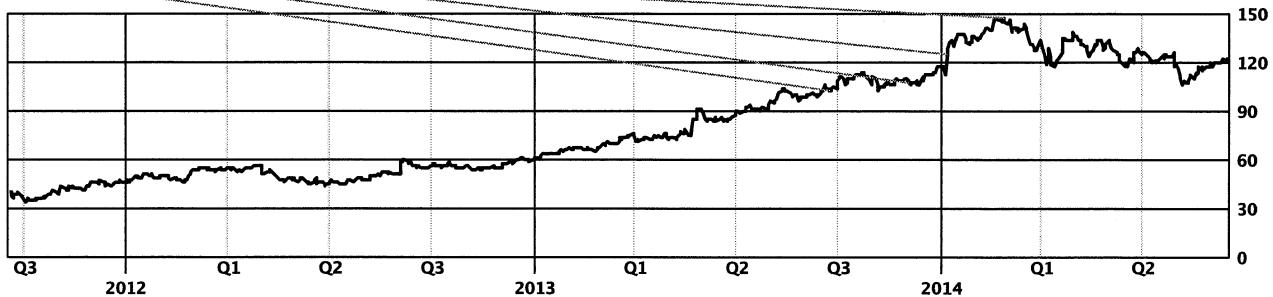
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## Rating and Price Target History for: Valeant Pharmaceuticals International, Inc. (VRX) as of 09-18-2014

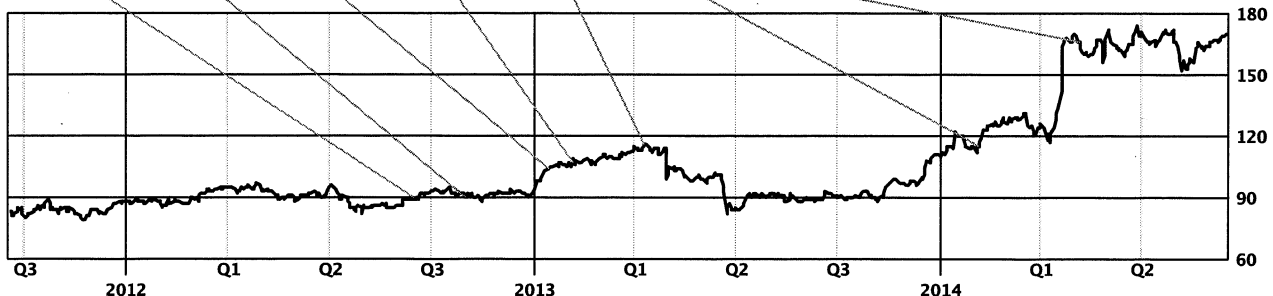
09/25/13 I:B:\$119	12/04/13 B:\$126	01/07/14 B:\$140	02/27/14 B:\$178
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Created by BlueMatrix

## Rating and Price Target History for: Allergan Inc. (AGN) as of 09-18-2014

09/17/12 I:B:\$102	10/31/12 B:\$106	01/14/13 B:\$119	02/05/13 B:\$125	04/11/13 B:\$131	02/05/14 B:\$135	05/07/14 B:\$195
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Created by BlueMatrix

## VALEANT PHARMACEUTICALS INTERNATIONAL, INC.

SECTOR: SPECIALTY PHARMACEUTICALS

September 19, 2014

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**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	108	58.38%	18	16.67%
Neutral	77	41.62%	5	6.49%
Sell	0	0.00%	0	0.00%

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## **Exhibit 8**

**COMPANY NOTE**

Estimate Change

Healthcare | Pharmaceuticals/Specialty

January 4, 2013

**Jefferies****Valeant Pharmaceuticals (VRX)  
Debt Ceiling Is No VRX Cliff****BUY**Price target \$77.00  
Price \$60.71**Key Takeaway**

**Valeant's 1st time 2013 EPS guidance of \$5.35-\$5.65 was what we expected and hence are not changing our \$5.62, which had been a high on the Street weeks ago. Our primary call on the stock as our #1 pick late last year was that consensus was too low. But now that the rest of the Street has caught up, we believe the key to the stock working from here lies mostly in executing the business and avoiding the Q'y volatility we saw last year.**

**The Numbers.** Valeant's guidance perhaps annoyed some by not providing detail by division, but generally the numbers lined up the way we thought they would. Hence we are not making any major changes to our model. Solodyn guidance of \$250-\$275M came in materially below our \$300M and was surprising to us. It is now clear, however, that with closer to 50% of **Solodyn** volume going through Alternate Fulfillment (AF): 1) IMS is less relevant, 2) more importantly, it signals increasing focus on AF as a novel channel for wringing more revenue from this and other products with sub-optimal insurance coverage.

**Using Equity to Get Big.** VRX continues to hint that although it is limited in its debt capacity, it can still do large deals since it would be willing to use *equity* for the right "merger of equals" - not paying a premium. There are not a lot of obvious companies  $\geq$  VRX's \$18B MCap with high tax rates that make sense to us. But VRX's provocative message of becoming a \$10-20B revenue company "in the foreseeable future" continues to be an intriguing topic of discussion with all the investors we have been speaking to.

**The Endgame.** At some point VRX won't be able to continue this growth or acquisition pace, and one may ask what happens when it's too big to grow? Perhaps this is counterintuitive, but it's conceivable the endgame is a philosophy reversal: breaking the company back up into smaller operating segments once each has achieved critical mass as a way to continuing to unlock investor value after VRX reaches that "too big to grow" stage.

**Valuation/Risks**

Since we aren't changing numbers, we aren't changing our \$77 price target (14x multiple off 2013 EPS of \$5.62), but we are hopeful multiple expansion becomes warranted after a few more drama-free quarters. The company now has a critical mass that is more predictable and buffered from quarterly volatility. Risks: failure to gain FDA approval for efinaconazole and luliconazole this year; a generic of Zovirax; and/or changes in tax laws that jeopardize VRX's 5% corporate rate and its impressive 40% net margins.

<b>USD</b>	Prev.	<b>2011A</b>	Prev.	<b>2012E</b>	Prev.	<b>2013E</b>	Prev.	<b>2014E</b>
Rev. (MM)	--	2,427.1	--	3,524.0	4,625.0	4,576.4	4,862.5	4,834.4
Consensus	--	--	4.48	4.54	5.21	5.66	6.21	6.61
<b>EPS</b>								
Mar	--	0.62	--	1.14A	1.28	1.30	--	--
Jun	--	0.73	--	1.01A	1.29	1.19	--	--
Sep	--	0.66	--	1.15A	1.46	1.49	--	--
Dec	--	0.94	--	1.21	1.59	1.64	--	--
FY Dec	--	2.94	--	4.50	--	5.62	--	6.69
FY P/E		20.6x		13.5x		10.8x		9.1x

EPS: \* Q310 is GAAP EPS for legacy BVF, while Q410 is a combined company cash EPS. Full year 2010 is a summation of Q1-Q2 legacy VRX EPS, Q3 legacy BVF EPS, and Q4 combined EPS, and so is not meaningful for y/y comps.

**Financial Summary**

Book Value (MM):	\$3,785.2
Book Value/Share:	\$11.82
Net Debt (MM):	\$7,372.5
Long-Term Debt (MM):	\$7,422.6
Cash & ST Invest. (MM):	\$257.7

**Market Data**

52 Week Range:	\$61.61 - \$42.47
Total Entprs. Value (MM):	NM
Market Cap. (MM):	\$18,923.3
Insider Ownership:	1.0%
Institutional Ownership:	95.0%
Shares Out. (MM):	311.7
Float (MM):	277.3
Avg. Daily Vol.:	1,372,997

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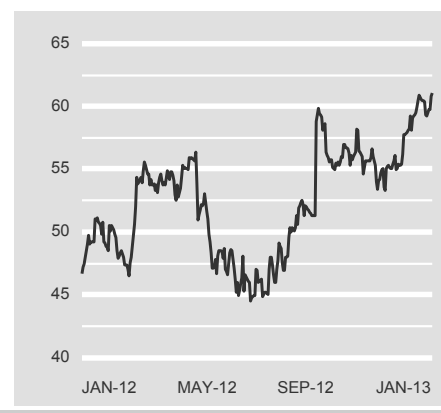
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**Price Performance**

Estimate Change

January 4, 2013

**Chart 1: 2013 Guidance Compare vs. JEF and Street**

Item (US\$M, except per share)	Guidance	Old JEF	Old JEF vs. Guidance Midpoint	New JEF	New JEF vs. Old JEF	Consensus
<b>Solodyn Revenues</b>	<b>\$250-\$275</b>	<b>\$301</b>	<b>(\$39)</b>	<b>\$291</b>	<b>(\$10)</b>	--
Total Derm	--	\$2,066	--	\$2,023	--	--
U.S. Neurology/Other	--	\$711	--	\$705	--	--
Canada/Australia/NZ	--	\$584	--	\$584	--	--
Emerging Markets	--	\$1,180	--	\$1,180	--	--
<b>Total Revenue*</b>	<b>\$4,400-\$4,800</b>	<b>\$4,625</b>	<b>\$25</b>	<b>\$4,576</b>	<b>(\$49)</b>	<b>\$4,632</b>
GM %	--	80.3%	--	80.2%	-0.2%	--
SG&A	--	\$1,016	--	\$1,032	\$16	--
R&D	--	\$121	--	\$121	\$0	--
<b>Adj. Cash Flow from Operations</b>	<b>\$1,500-\$1,750</b>	--	--	--	--	--
<b>Adj. Cash EPS</b>	<b>\$5.35-\$5.65</b>	--	--	--	--	--
<b>Adj. Cash EPS (Including Meda)**</b>	<b>\$5.45-\$5.75</b>	<b>\$5.62</b>	<b>\$0.02</b>	<b>\$5.62</b>	<b>\$0.00</b>	<b>\$5.66</b>

\*Revenue guidance assumptions: FX at current spot rates; positive yr/yr \$100M generic impact; negative yr/yr \$40M-\$50M impact from planned divestitures; no Zovirax generics; includes Natur Produkt

\*\*EPS guidance assumptions: Cash EPS expected to be 45%/55% 1H vs. 2H (Q2 lowest/Q4 highest); Cash tax rate <5%; Efinaconazole launch breakeven

Source: Company Data, Jefferies estimates, ThomsonONE Analytics

**Chart 2: JEF vs. Consensus Comparison**

	Street Revs (\$M)	JEF vs. Street	Street EPS (US\$)	JEF vs. Street
4Q12E	\$966.4	(\$2.7)	\$1.25	(\$0.04)
<b>2012E</b>	<b>\$3,536.9</b>	<b>(\$12.9)</b>	<b>\$4.54</b>	<b>(\$0.04)</b>
1Q13E	\$1,094.4	\$1.3	\$1.28	\$0.02
2Q13E	\$1,155.2	(\$93.9)	\$1.32	(\$0.13)
3Q13E	\$1,175.1	(\$13.8)	\$1.48	\$0.01
4Q13E	\$1,266.6	(\$8.6)	\$1.65	(\$0.01)
<b>2013E</b>	<b>\$4,632.2</b>	<b>(\$55.8)</b>	<b>\$5.66</b>	<b>(\$0.04)</b>
<b>2014E</b>	<b>\$4,972.0</b>	<b>(\$137.6)</b>	<b>\$6.61</b>	<b>\$0.08</b>
<b>2015E</b>	<b>\$5,318.5</b>	<b>(\$173.1)</b>	<b>\$7.66</b>	<b>\$0.26</b>
<b>2016E</b>	<b>\$5,650.9</b>	<b>(\$282.8)</b>	<b>\$8.49</b>	<b>\$0.47</b>

\*as of 1/4/13

Source: ThomsonONE Analytics, Jefferies estimates

Estimate Change

January 4, 2013

**Chart 3: JEF Changes to Estimates, 2013E-2016E**

Year end December 31	2013E			2014E			2015E			2016E		
	OLD	NEW	VARIANCE	OLD	NEW	VARIANCE	OLD	NEW	VARIANCE	OLD	NEW	VARIANCE
VRX Derm	1,245.5	1,224.4	(21.2)	1,312.2	1,290.0	(22.2)	1,383.2	1,360.0	(23.2)	1,443.9	1,420.0	(24.0)
MRX Derm	820.2	799.0	(21.2)	859.4	859.7	0.3	970.8	971.2	0.4	1,088.2	1,088.6	0.4
U.S. Neurology/Other	710.8	704.6	(6.2)	688.7	682.5	(6.2)	650.4	644.2	(6.2)	511.4	505.2	(6.2)
Canada/Australia/NZ	584.3	584.3	0.0	638.1	638.1	0.0	697.3	697.3	0.0	762.4	762.4	0.0
Emerging Markets	1,180.2	1,180.2	0.0	1,284.1	1,284.1	0.0	1,397.7	1,397.7	0.0	1,522.0	1,522.0	0.0
<b>Total Revenue</b>	<b>\$4,625.0</b>	<b>\$4,576.4</b>	<b>(\$48.6)</b>	<b>\$4,862.5</b>	<b>\$4,834.4</b>	<b>(\$28.1)</b>	<b>\$5,174.4</b>	<b>\$5,145.4</b>	<b>(\$29.0)</b>	<b>\$5,397.9</b>	<b>\$5,368.1</b>	<b>(\$29.8)</b>
Gross Margin	80.3%	80.2%	-0.2%	80.7%	80.6%	-0.1%	80.9%	80.9%	-0.1%	81.1%	81.1%	-0.1%
SG&A	\$1,016.2	\$1,031.8	\$15.6	\$1,002.6	\$1,023.1	\$20.6	\$977.3	\$978.4	\$1.1	\$995.3	\$970.0	(\$25.4)
% of total revenues	22%	23%	1%	21%	21%	1%	19%	19%	0%	18%	18%	(0%)
R&D	121.2	121.2	0.0	120.2	120.2	0.0	133.5	133.5	0.0	143.5	143.5	0.0
% of total revenues	3%	3%	0%	2%	2%	0%	3%	3%	0%	3%	3%	0%
Operating Income	2,577.3	2,515.6	(61.7)	2,800.6	2,754.5	(46.1)	3,077.4	3,049.9	(27.5)	3,240.3	3,238.5	(1.7)
Operating Margin	55.7%	55.0%	(0.8%)	57.6%	57.0%	(0.6%)	59.5%	59.3%	(0.2%)	60.0%	60.3%	0.3%
Tax Rate	8.0%	5.0%	(3.0%)	7.0%	5.0%	(2.0%)	6.0%	5.0%	(1.0%)	5.0%	5.0%	0.0%
Net Income	1,796.1	1,796.0	(0.0)	2,068.5	2,070.0	1.5	2,437.6	2,437.8	0.2	2,745.7	2,744.1	(1.6)
Net Margin	38.8%	39.2%	0.4%	42.5%	42.8%	0.3%	47.1%	47.4%	0.3%	50.9%	51.1%	0.3%
<b>Cash EPS</b>	<b>\$5.62</b>	<b>\$5.62</b>	<b>(\$0.00)</b>	<b>\$6.69</b>	<b>\$6.69</b>	<b>\$0.00</b>	<b>\$7.92</b>	<b>\$7.92</b>	<b>\$0.00</b>	<b>\$8.96</b>	<b>\$8.96</b>	<b>(\$0.01)</b>
Shares Out. (MM)	312.5	312.5	0.0	309.4	309.4	0.0	307.8	307.8	0.0	306.3	306.3	0.0

Source: Jefferies estimates

Estimate Change

January 4, 2013

**Chart 4: VRX Summary P&L**

(In millions, except per share amount)

Year end December 31	2010**	2011	1Q12	2Q12	3Q12	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E
VRX Derm	232.7	568.3	225.9	218.0	312.4	325.3	1,081.7	290.9	267.0	324.8	341.7	1,224.4	1,290.0	1,360.0	1,420.0
MRX Derm								190.4	184.4	204.5	219.7	799.0	859.7	971.2	1,088.6
U.S. Neurology/Other	830.4	829.3	187.7	223.0	180.9	190.6	782.2	176.4	169.1	174.6	184.5	704.6	682.5	644.2	505.2
Canada/Australia/NZ	178.2	340.2	132.6	128.4	141.1	153.4	555.4	140.2	128.3	146.8	169.0	584.3	638.1	697.3	762.4
Emerging Markets			243.6	249.0	249.7	279.4	1,021.6	276.8	291.5	289.7	322.2	1,180.2	1,284.1	1,397.7	1,522.0
<b>Total Revenue</b>	<b>\$1,803.0</b>	<b>\$2,427.1</b>	<b>\$856.1</b>	<b>\$820.1</b>	<b>\$884.1</b>	<b>\$963.6</b>	<b>\$3,524.0</b>	<b>\$1,095.8</b>	<b>\$1,061.3</b>	<b>\$1,161.3</b>	<b>\$1,258.0</b>	<b>\$4,576.4</b>	<b>\$4,834.4</b>	<b>\$5,145.4</b>	<b>\$5,368.1</b>
Gross Margin	70.9%	74.6%	73.8%	76.4%	76.2%	76.9%	75.8%	79.9%	79.4%	80.7%	80.5%	80.2%	80.6%	80.9%	81.1%
SG&A	\$314.9	\$509.3	\$166.0	\$180.3	\$179.5	\$187.9	\$713.7	\$254.0	\$254.4	\$250.4	\$273.0	\$1,031.8	\$1,023.1	\$978.4	\$970.0
% of total revenues	27%	21%	19%	22%	20%	20%	20%	23%	24%	22%	22%	23%	21%	19%	18%
R&D	52.5	65.0	21.9	17.7	19.2	18.0	76.8	27.2	29.6	31.0	33.4	121.2	120.2	133.5	143.5
% of total revenues	6%	3%	3%	2%	2%	2%	2%	2%	3%	3%	3%	3%	2%	3%	3%
Operating Income	470.1	1,235.2	443.7	428.2	475.2	534.8	1,882.0	594.2	558.5	656.1	706.8	2,515.6	2,754.5	3,049.9	3,238.5
Operating Margin	39.8%	50.9%	51.8%	52.2%	53.8%	55.5%	53.4%	54.2%	52.6%	56.5%	56.2%	55.0%	57.0%	59.3%	60.3%
Tax Rate	52.6%	4.6%	3.9%	3.2%	2.7%	3.0%	3.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Income	208.9	937.0	360.2	314.5	357.5	377.0	1,409.3	406.1	372.1	464.9	513.0	1,796.0	2,070.0	2,437.8	2,744.1
Net Margin	15.3%	38.6%	42.1%	38.4%	40.4%	39.1%	40.0%	37.1%	35.1%	40.0%	40.8%	39.2%	42.8%	47.4%	51.1%
<b>Cash EPS</b>	<b>\$0.64</b>	<b>\$2.93</b>	<b>\$1.14</b>	<b>\$1.01</b>	<b>\$1.15</b>	<b>\$1.21</b>	<b>\$4.50</b>	<b>\$1.30</b>	<b>\$1.19</b>	<b>\$1.49</b>	<b>\$1.64</b>	<b>\$5.62</b>	<b>\$6.69</b>	<b>\$7.92</b>	<b>\$8.96</b>
Shares Out. (MM)	324.7	326.1	316.4	312.6	311.7	312.0	313.2	312.0	312.3	312.7	313.0	312.5	309.4	307.8	306.3
<b>Year-over Year Growth†</b>															
VRX Derm		144%	48%	98%	137%	87%	90%	29%	22%	4%	5%	13%	5%	5%	4%
MRX Derm													8%	13%	12%
U.S. Neurology/Other		(0%)	(10%)	(5%)	(1%)	(6%)	(6%)	(6%)	(24%)	(3%)	(3%)	(10%)	(3%)	(6%)	(22%)
Canada/Australia/NZ		91%	89%	53%	67%	51%	63%	6%	(0%)	4%	10%	5%	9%	9%	9%
Emerging Markets								14%	17%	16%	15%	16%	9%	9%	9%
<b>Total Revenues</b>	<b>(1%)</b>	<b>49%</b>	<b>62%</b>	<b>35%</b>	<b>47%</b>	<b>40%</b>	<b>266%</b>	<b>28%</b>	<b>29%</b>	<b>31%</b>	<b>31%</b>	<b>30%</b>	<b>6%</b>	<b>6%</b>	<b>4%</b>
SG&A	(25%)	62%	43%	35%	45%	39%	40%	53%	41%	39%	45%	45%	(1%)	(4%)	(1%)
R&D	(50%)	24%	63%	(0%)	12%	8%	18%	24%	67%	62%	85%	58%	(1%)	11%	7%
Operating Income	(33%)	163%	69%	41%	59%	44%	52%	34%	30%	38%	32%	34%	9%	11%	6%
Net Income	13%	348%	93%	30%	69%	27%	50%	13%	18%	30%	36%	27%	15%	18%	13%
<b>Cash EPS</b>	<b>(16%)</b>	<b>355%</b>	<b>84%</b>	<b>38%</b>	<b>75%</b>	<b>29%</b>	<b>54%</b>	<b>14%</b>	<b>18%</b>	<b>30%</b>	<b>36%</b>	<b>25%</b>	<b>19%</b>	<b>18%</b>	<b>13%</b>

Notes: \* Legacy Valeant actuals. \*\* Legacy Biovail actuals, EPS is GAAP. \*\*\* Pro forma estimates here and beyond. \*\*\*\* Represents Valeant' share (i.e., not end user sales).

† 4Q10 for P&amp;L items are vs. standalone VRX.

Source: Jefferies estimates, Company Data

## Company Description

Valeant Pharmaceuticals is a global, diversified specialty pharmaceuticals company that has recently merged with Biovail. The new combined company has several core businesses: a traditional specialty pharma business focused on neurology and dermatology products in North America, an OTC business in Australia, and branded generics outfits focused in Latin America and Eastern Europe. In addition, Valeant is developing Potiga (egozabine, aka retigabine), an approved novel epilepsy drug that is currently launching in Europe and is expected to be launched in the US in 2012.

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2. Only stocks with a Buy rating are allowed to be included in the recommended list.
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4. Stocks are sorted to a maximum of 30 stocks with the maximum country exposure at around 50%. Limits are also imposed on a sector basis.
5. Once a month, analysts are invited to recommend their best ideas. Analysts' stock selection can be based on one or more of the following: non-Consensus investment view, difference in earnings relative to Consensus, valuation methodology, target upside/downside % relative to the current stock price. These are then assessed against existing holdings to ensure consistency. Stocks that have either reached their target price, been downgraded over the course of the month or where a more suitable candidate has been found are removed.

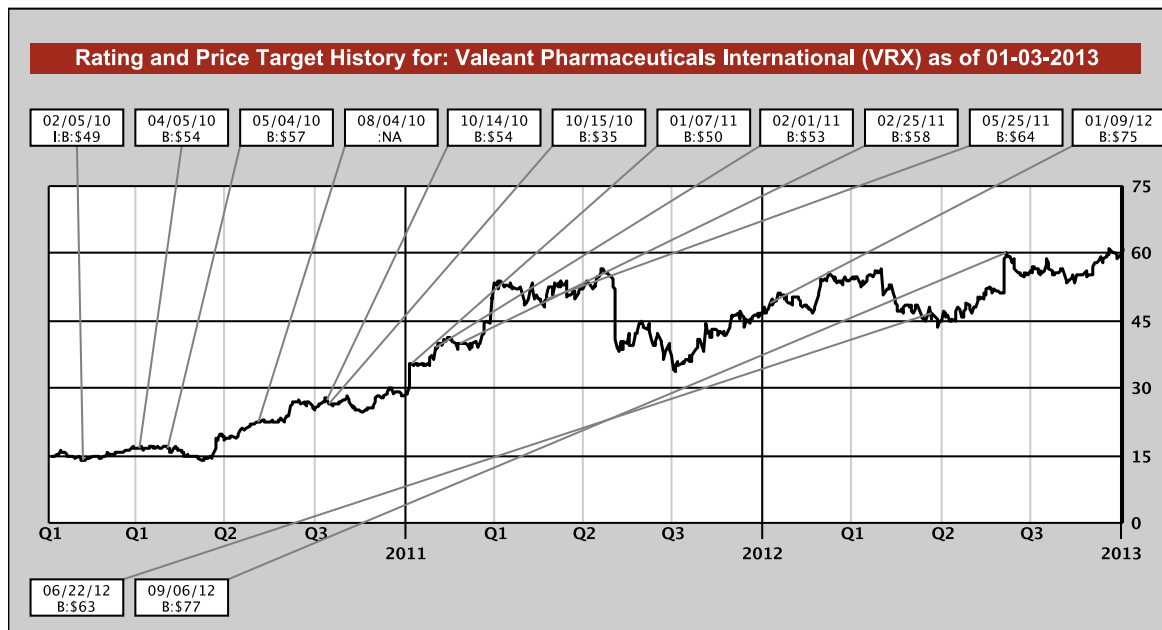
Estimate Change

January 4, 2013

6. All stocks are inserted at the last closing price and removed at the last closing price. There are no changes to the conviction list during the month.
7. Performance is calculated in US dollars on an equally weighted basis and is compared to MSCI World AC US\$.
8. The conviction list is published once a month whilst global equity markets are closed.
9. Transaction fees are not included.
10. All corporate actions are taken into account.

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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HOLD	724	45.76%	80	11.05%
UNDERPERFORM	120	7.59%	1	0.83%

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Estimate Change

January 4, 2013

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## **Exhibit 9**

Specialty Pharma  
COMPANY UPDATE**Valeant Pharmaceuticals International, Inc.**

Symbol	VRX
Rating	Positive
Price	\$72.12
Price target	\$84.00
Downside risk	\$60.00

**Company market data**

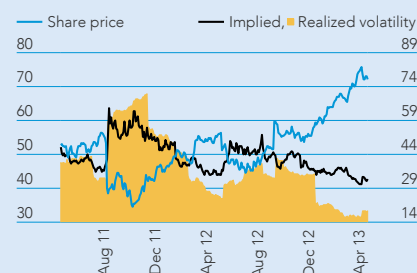
52 week range	\$76.56-\$42.47
Shares out.	303.861mm
Market cap.	\$21,914mm
Average daily trading volume	1,348,013
Beta	1.13

**Calendar year December**

	2012	2013e	2014e
EPS	Actual	Prior Current	Prior Current
Q1	0.99	1.28	-
Q2	1.01	1.21	-
Q3	1.15	1.40	-
Q4	1.22	1.62	-
CY EPS	4.36	5.51	6.51
P/E	16.5x	13.1x	11.1x
Revs	3,480	4,499	4,781

**Derivatives**

Volume (contracts)	2,225
Skew rank (2yr %-tile)	11.90



## Valeant Pharmaceuticals International, Inc.: Toenail Drug Gets Thumbs Up From Podiatrists

**Andrew Finkelstein**

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212 514 4897

**Call to action**

We did a deeper dive on the opportunity for VRX's IDP108 (efinaconazole), which is pending FDA approval (5/24/13 PDUFA) and offers what we believe is an attractive risk/reward from a company where the pipeline isn't usually the focus. We reiterate our Positive rating.

**HIGHLIGHTS**

We see a positive risk/reward on approval of VRX's treatment for toenail fungus (onychomycosis). Given solid efficacy compared to existing antifungals and no major safety concerns evident from the data, we expect approval by 5/24 or at most a modest delay and VRX has not expected an advisory panel. In this note, we provide details from conversations with several podiatrists and dermatologists which reinforced our view of a meaningful commercial opportunity. We have increased confidence in our \$200 mln peak sales forecast and introduce a market model that suggests upside potential. VRX has suggested IDP108 could become its biggest product over time, helping to address the sustainability of the dermatology business past generic competition for several drugs in the 2016-19 time frame.

- Physicians enthusiastic about efficacy - While few patients in the trials saw their nails completely cured, the physicians agreed that the data look good enough to use IDP108 broadly since it appears much better than any of the existing topical treatments which rarely produce a satisfactory result. They saw IDP108 becoming the dominant drug for onychomycosis assuming: 1) real-world efficacy lives up to what was seen in trials, and 2) VRX markets the drug properly including embracing the podiatry specialty. They saw VRX's Pedinol acquisition as a good step.
- Market model supports \$200 mln peak sales forecast - We show that \$200-300 mln in annual sales could be realized with IDP108 capturing less than half of the current market for just the leading topical and oral prescriptions (Penlac and Lamisil generics). Taking share from other prescription and non-prescription products would be upside.

Continued on the next page

**Catalysts**

Efinaconazole PDUFA 5/24/13 and luliconazole PDUFA 12/11/13, and continued M&A with smaller bolt-on deals or potentially a bigger merger.

**Downside risk**

Our \$84 target reflects ~13x 2014 cash EPS of \$6.51. We see downside to \$60, adjusting our DCF for lower organic growth and cost synergies, reducing 2017 EBITDA by ~\$300 mln.

**IMPORTANT DISCLOSURES AND CERTIFICATIONS.**

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## HIGHLIGHTS

Continued from previous page

- We estimate ~\$1.50-2.50/share NPV - This is based on our forecast for \$200 mln in sales by 2017 and considering a range of scenarios for sales assuming exclusivity through 2025+. We believe this is partially factored into the stock and consensus, suggesting the upside/downside on the PDUFA should be smaller. But we believe an approval would increase investor confidence in the derm business and draw attention to the 12/11/13 PDUFA for luliconazole in athletes' foot (a smaller but complementary opportunity, in our view). Assuming a successful launch, we could see earnings expectations coming up over time (especially for 2015+).
- ANAC's tavaborole data not seen as competitive - While separate trials cannot be directly compared, the physicians were in agreement that the Phase III data for tavaborole clearly looked less compelling than the IDP108 data. And given the potential for IDP108 to have a one-year head start, they did not expect tavaborole to limit VRX's commercial opportunity. ANAC has pointed to some differences in the clinical trial populations and inclusion criteria that could have made VRX's trials an easier hurdle, but the physicians seemed skeptical that this would have made a dramatic difference.
- We note the risk from an ongoing dispute with ANAC - ANAC is seeking arbitration and damages of \$215 mln for alleged breach of contract by a VRX unit. The companies also have a dispute over a development agreement between ANAC and Medicis for an acne drug. At this point, we do not expect the proceedings to impact the IDP108 launch or for ANAC to obtain significant damages or compensation.

## Phase III Data for Efinaconazole

Last November, the Phase 3 data for IDP108 were published in the Journal of the American Academy of Dermatology. We believe the data reflect solid efficacy in this condition with 15-18% of patients completely cured and 23-26% achieving a complete or almost complete cure. Results were highly statistically significant versus placebo and were more than twice as good as the data for Penlac, the only other prescription topical for onychomycosis. The complete cure rates were in line with what we anticipated given VRX's bullish commentary on the product, but we were particularly impressed when also looking at the almost cure rates, since this indicates roughly 1 in 4 patients should receive a good result. The publication concluded that topical efinaconazole is a viable alternative to oral treatments. Thus we believe efinaconazole can tap into both the topical and oral Rx markets.

The physicians we spoke with were impressed by the IDP108 data and affirmed it looks clearly superior to Penlac and very safe. There was some disbelief that a topical product could achieve such significant efficacy and even skepticism whether it will deliver the same results in a real-world setting. However, if IDP108 lives up to the data, the physicians were unanimous that it would become their topical treatment of choice, displacing Penlac and probably being used as an adjunct for their patients getting an oral drug or laser treatment (one called it a "home run"). Several of the physicians noted that the trial was only 52 weeks and some patients might stay on the drug longer and achieve better results. One podiatrist emphasized the lack of debridement in the trial as significant (he was "blown away" to see such a high response rate without debridement). In practice, he explained, podiatrists (although probably not dermatologists or primary care doctors), will debride or shave down the nail to improve the absorption of a topical drug. He expected that IDP108 would be even more effective with debridement (perhaps 60% of patients could get a good result). The same physician noted that most of the clinical sites in the study were dermatology centers rather than podiatry centers.

## Promotional Plans

VRX has discussed plans to market efinaconazole in the U.S. with its existing dermatology sales force and an expanded podiatry force (probably expand to ~60 podiatry reps from current ~25). It is also looking at strategies to reach primary care which writes a lot of the prescriptions for Penlac/Lamisil, but management affirmed that it will not spend the money for a conventional primary care launch with a big sales force. Instead, it is looking at more cost-effective ways to get some exposure in that market. As we detail in our market model, podiatry and dermatology account for ~33% and 13% of the Penlac Rx's, respectively (19% and 10% of Lamisil Rx's), with the rest composed of primary care, other specialties, and non-physicians (nurses and assistants). Accordingly, VRX's strong position in the podiatry and dermatology specialties should give it a good opportunity to penetrate one-third of the Rx market and potentially see use spread to primary care over time as patients seek refills.

Interestingly, the podiatrists we spoke with were adamant that while VRX is a "derm company" and dermatologists write a lot of Rx's for onychomycosis, IDP108 is a podiatry drug that their specialty would embrace assuming it is marketed properly. In other words, they were looking for VRX to focus on marketing to them and they were highly

complementary of the Pedinol organization that VRX acquired (validating VRX's comments that it bought the premier podiatry sales force). The podiatrists indicated good relationships with their Pedinol reps and, so far, they haven't seen any disruption in service from Pedinol (although they were aware of some management departures and expressed apprehension about whether VRX would continue to support the podiatry community as generously as Pedinol had). With IDP108 launching, we would expect VRX to continue investing in this specialty for the foreseeable future.

## Physician Insights

- **Onychomycosis is very common** - A high percentage of the physicians' patients (one podiatrist said 95%) have onychomycosis and they see new patients on a daily basis who are coming in to treat the condition or who have another issue but mention their desire to address their onychomycosis as well.
- **Eager for a better topical option** - The docs affirmed a major unmet need for a better topical drug and that the Phase III data for IDP108 appear clearly superior to current alternatives.
- **Ease of use is important** - The physicians noted that Penlac is cumbersome to use. Since it is a lacquer, it goes on thick and needs to be removed with nail polish remover. If IDP108 is more convenient and cosmetically elegant, they felt it could do a lot better than Penlac.
- **Cost of therapy** - The physicians noted that there is a very heterogeneous patient population, with some willing to pay over \$1K out-of-pocket for a laser treatment and others only able to afford generic drugs. They indicated that most patients would be able to afford a prescription copay for IDP108 assuming it is covered by insurance and VRX offers some copay reimbursement to mitigate the likely impact of being a non-preferred brand.
- **Insurance could raise some hurdles** - The physicians expect that insurers will push for generics (e.g., Penlac) to be used first line. However, plenty of patients are Penlac failures (it's only 5-8% effective per label) and many have failed or can't take orals. Thus, we expect IDP108 can gain Tier 3 coverage on most plans and VRX has experience dealing with managed care restrictions (e.g., prior authorization or even a fungal culture might be required by some plans). The physicians also look for VRX to continue publishing data over time to demonstrate IDP108 as superior to alternatives.
- **Laser patients would get IDP108 too** - Laser toenail treatments have become an important source of revenue for podiatrists, but they indicated that they are usually only partially effective and prescribing these patients IDP108 for ongoing treatment post-laser could improve results and patient satisfaction. Overall, they find that lasers provide a benefit comparable to oral drugs (one indicated 60-70% efficacy), but that patients often don't have realistic expectations and end up disappointed after paying a high out-of-pocket cost. The physicians charge around \$1,000+ for laser treatment, although they often end up re-treating patients with suboptimal results free-of-charge. They did note that some lower-end practices are offering laser treatments at discounted prices.
- **Physician-dispensed drugs offer economic incentive** - The podiatrists noted that they make money selling a non-prescription topical product to their patients called Formula 3 that is a reasonable alternative to Penlac. They acknowledged that this economic incentive could impact IDP108 somewhat, although it wouldn't stop them from prescribing IDP108 assuming the efficacy is clearly superior. In terms of our market model, share gains at the expense of Formula 3 would represent upside.
- **IDP108 could be used with orals** - The podiatrists said that they tend to avoid using oral antifungal drugs (e.g., Lamisil, Sporanox) given safety risks like liver damage. They attributed greater use of orals by dermatologists and primary care physicians to an unwillingness of those physicians to help patients manage a cumbersome topical treatment (especially Penlac). They also agreed there was no question that IDP108 should be tried before oral drugs in most cases (although they acknowledged it will be hard to change ingrained prescribing habits, especially among PCPs). However, in patients where they do use an oral, they indicated that they often prescribe a topical as well, and would see no reason not to make that IDP108.
- **Many patients need long-term treatment** - The Phase III data for IDP108 studied use over 52 weeks and concluded that efficacy could be even better with a longer duration of therapy. The physicians confirmed that there is a high recurrence rate with all of the existing treatments, even lasers which some patients need to repeat every six to eight months. In many cases, they are comfortable keeping patients on a topical long-term for maintenance treatment, perhaps applying the medication a couple of times a week.

## Market Model

We introduce our market model in Figure 1 which reflects sales reaching \$281 mln by 2017 and we believe there is room for upside as we discuss below. It is challenging to capture the full scope of the onychomycosis opportunity given the wide variety of treatments that are used, including lasers and non-prescription topicals as well as the patients who are untreated because existing options aren't effective. Our model focuses narrowly on the opportunity to displace just the current leading prescriptions (topical Penlac and oral Lamisil) which we believe is conservative. Based on the feedback we received from physicians, we believe it is realistic for IDP108 to displace the majority of Penlac use and a substantial portion of the Lamisil use that is generated by podiatrists and dermatologists (we assume a slower ramp in primary care). If the potential to take share from other topicals (e.g., Naftin, Formula 3) and orals (e.g., Sporanox) were included, there could be substantial upside to our forecasts (alternately, the penetration required to achieve our forecast would be lower). It is important to note, however, that some of these drugs (e.g., Naftin, Sporanox) are used for multiple conditions (including ringworm, athletes' foot) so including their prescription data could exaggerate the opportunity. On the other hand, physician-dispensed products like Formula 3 are not tracked by IMS (the physicians indicated that Penlac accounts for less than half of their use of topical drugs, so there is clearly a sizable market).

We assume pricing for IDP108 at a discount to branded Penlac which has a wholesale list price of ~\$500 per Rx but is available much more cheaply as a generic. While VRX has not commented on pricing, we assume a \$220 wholesale price with a 25-30% gross-to-net deduction (\$176/Rx initial net price). Implicitly, we assume a prescription for IDP108 is equivalent to a prescription of Penlac or Lamisil although we note that a patient's use of a topical like IDP108 will depend on how liberally they apply it and how many toenails are treated. We also expect that VRX will offer patients copay assistance and other programs to encourage use which factors into our gross-to-net assumption. Going forward, we assume 6% annual price increases partially offset by increases in the gross-to-net deduction.

Using these assumptions for penetration of the Rx market and pricing, we derive a sales forecast of \$10 mln in 2013, \$44 mln in 2014, \$95 mln in 2015, \$194 mln in 2016, and \$281 mln in 2017 (see Figure 1).

In Figure 2, we present an alternate model analyzing uptake among all onychomycosis patients to get a sense of potential upside from patients who are untreated or managed without an Rx (debridement, laser, or OTC). Onychomycosis is unquestionably very common, and 35 million patients is an often-cited prevalence figure for the U.S., although there seems to be a lack of definitive data on the frequency and severity of the condition. Some older studies suggested prevalence of only 2-3% (implies <10 mln patients) although prevalence appears to have been increasing over time. Using the 35 mln figure and assuming growth only in line with the overall population (although prevalence may be increasing faster, especially as the population ages), we illustrate that getting only 2-3% of patients to try IDP108 over time could get the drug to \$300-400 mln in peak sales (see Figure 2). Importantly, we assume that around 10% of patients who try IDP108 will get retreated in a given year.

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## **Exhibit 10**

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

VRX.TO - Q3 2014 Valeant Pharmaceuticals International Inc Earnings Call

EVENT DATE/TIME: OCTOBER 20, 2014 / 12:00PM GMT

## OVERVIEW:

Co. reported 3Q14 total revenue of \$2.1b and cash EPS of \$2.11. Expects full-year 2014 revenue to be \$8.1-8.3b and cash EPS to be \$8.22-8.32. Expects 4Q14 revenue to be \$2.1-2.3b and cash EPS to be \$2.45-2.55.



OCTOBER 20, 2014 / 12:00PM, VRX.TO - Q3 2014 Valeant Pharmaceuticals International Inc Earnings Call

## CORPORATE PARTICIPANTS

**Laurie Little** *Valeant Pharmaceuticals International, Inc. - Head of IR*

**J. Michael Pearson** *Valeant Pharmaceuticals International, Inc. - Chairman & CEO*

**Howard Schiller** *Valeant Pharmaceuticals International, Inc. - CFO*

**Ari Kellen** *Valeant Pharmaceuticals International, Inc. - Group Chairman*

## CONFERENCE CALL PARTICIPANTS

**Andrew Finkelstein** *Susquehanna Financial Group - Analyst*

**Chris Schott** *JPMorgan - Analyst*

**Alex Arfaei** *BMO Capital Markets - Analyst*

**David Steinberg** *Jefferies & Co. - Analyst*

**Sachin Shah** *Albert Fried & Company - Analyst*

**Annabel Samimy** *Stifel Nicolaus - Analyst*

**Louise Chen** *Guggenheim Securities LLC - Analyst*

**Tim Chiang** *CRT Capital Group - Analyst*

**Gary Nachman** *Goldman Sachs - Analyst*

**Umer Raffat** *ISI Group - Analyst*

**Gregg Gilbert** *Deutsche Bank - Analyst*

**Ram Selvaraju** *Aegis Capital - Analyst*

**Alan Ridgeway** *Paradigm Capital - Analyst*

**Marc Goodman** *UBS - Analyst*

**Tony Reiner** *Imperial Capital - Analyst*

## PRESENTATION

### Operator

Good morning. My name is Keith and I will be your conference operator today. At this time I would like to welcome everyone to the Valeant third-quarter 2014 earnings conference call.

(Operator Instructions)

Thank you. Laurie Little, Head of Investor Relations, you may begin your conference.

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**Laurie Little** - *Valeant Pharmaceuticals International, Inc. - Head of IR*

Thank you, Keith. Good morning, everyone, and welcome to Valeant's third-quarter 2014 financial results conference call. Presenting on the call today are J. Michael Pearson, Chairman and Chief Executive Officer, and Howard Schiller, Chief Financial Officer. In addition, Dr. Ari Kellen, Company Group Chairman, will be available for questions. In addition to a live webcast, a copy of today's live presentation can be found on our website under the investor relations section.



## OCTOBER 20, 2014 / 12:00PM, VRX.TO - Q3 2014 Valeant Pharmaceuticals International Inc Earnings Call

Before we begin, our presentation today contains forward-looking information. We would ask that you take a moment to read the forward-looking statement legend at the beginning of our presentation as it contains important information.

In addition, this communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication relates to the exchange offer which Valeant has made to Allergan stockholders. The exchange offer is being made pursuant to a tender offer statement on Schedule TO, including the offer to exchange, the letter of election, and transmittal, and other related offer materials, and a registration statement on Form S4 filed by Valeant with the SEC on June 18, 2014, and with the CSA, as each may be amended from time to time. These materials contain important information including the terms and conditions of the offer.

In addition, Valeant has filed a preliminary proxy statement with the SEC on June 24, 2014, as may be amended from time to time. Pershing Square Capital Management has filed a definitive solicitation statement with the SEC on July 11, 2014, and a preliminary proxy statement on July 23, 2014. And Valeant and Pershing Square may file one or more additional proxy statements or other documents with the SEC.

This communication is not a substitute for any proxy statement, registration statement, perspectives or any other document Valeant, Pershing Square and/or Allergan have filed or may file with the SEC in connection with the proposed transaction. Investors and security holders of Valeant and Allergan are urged to read the tender offer statement, registration statement, and any other documents filed with the SEC carefully in their entirety if and when they become available, as they will contain important information about the transaction.

Any definitive proxy statement will be mailed to stockholders of Allergan and/or Valeant, as applicable. Investors and security holders may obtain free copies of the tender offer statement, the registration statement, and other documents filed with the SEC by Valeant and/or Pershing Square through the website maintained by the SEC at [sec.gov](http://sec.gov).

Information regarding the names and interest in Allergan and Valeant and persons related to Valeant who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect to the Valeant proposal for a business combination with Allergan is available in the additional definitive proxy soliciting materials in respect of Allergan filed with the SEC by Valeant on April 21, 2014 and May 28, 2014. Information regarding the names and interest in Allergan and Valeant of Pershing Square and persons related to Pershing Square who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect to the Valeant proposal for a business combination with Allergan is available in additional definitive proxy soliciting material in respect of Allergan filed with the SEC by Pershing Square. Additional definitive proxy soliciting material referred to in this paragraph can be obtained free of charge from the sources indicated above.

Finally, in addition, this presentation contains non-GAAP financial measures. For more information about non-GAAP financial measures please refer to slide number 2. Non-GAAP reconciliations can be found in the press release issued earlier today and posted on our website.

And with that I'm glad to turn the call over to Mike Pearson.

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**J. Michael Pearson** - *Valeant Pharmaceuticals International, Inc. - Chairman & CEO*

Thank you, Laurie. Good morning, everyone, and thank you for joining us for our third-quarter earnings call. We are pleased to report an exceptionally strong Q3.

On our call today, I will review our results, highlight the key drivers of our successful performance across all our businesses, and update you on recent and near-term product launches. Howard will then provide an update on our financial performance, an update on our B+ L integration, and our expectations for the remainder of 2014. Finally, we will provide you a brief update on our offer for Allergan. After our remarks, Howard, Ari Kellen and I will be available for Q&A.

For the quarter, our total revenue was \$2.1 billion, an increase of 33% over the prior year. This is our second best revenue quarter ever. Our cash EPS was \$2.11, an increase of 48% over the prior year, and well in excess of our guidance.



## OCTOBER 20, 2014 / 12:00PM, VRX.TO - Q3 2014 Valeant Pharmaceuticals International Inc Earnings Call

**David Steinberg** - *Jefferies & Co. - Analyst*

Thanks very much. I had some questions on Jublia. The first thing is, it looks like in the prescription graph that you added up the Walters [clura] data and the specialty pharmacy data. I was just curious, what's the rough breakout between the prescription audit information and that now you get through your specialty pharmacy Philidor?

And, secondly, is sampling still a significant part of your program? And if so, perhaps how much would it understate TruScripts by? And then could you give us an update on how managed care discussions are going on that product? Thanks.

**J. Michael Pearson** - *Valeant Pharmaceuticals International, Inc. - Chairman & CEO*

Sure. Thanks, David. In terms of the breakdown, the specialty pharmacy channels are multiple specialty pharmacies throughout the United States. But the rough script breakdown is about 40% of the volumes going through specialty pharma and 60% is going through traditional pharmacies.

Sampling is not a key part of what we're doing. One of the reasons is, you may recall that we had to shift manufacturers to our Japanese partner, which is doing a terrific job for us. But they only have trade-sized bottles at this point. So, until we get smaller sample bottles, sampling's not something that we're doing. But we would expect to start sampling next year once we get the smaller bottle, which will be one more thing that we think will help drive the growth.

And the last question -- oh, managed care. Our conversations so far are going well. I think we do have a unique product. And there is a strong consumer and physician demand for it. And I think that we are cautiously optimistic that we're going to get excellent managed care coverage.

**David Steinberg** - *Jefferies & Co. - Analyst*

Okay. Just a quick follow-up. You'd indicated your guidance for next year, \$150 million, could be substantially exceeded, that the run rate at the end of this year could actually be closer to that. Any thoughts on what perhaps a new number might look like?

**J. Michael Pearson** - *Valeant Pharmaceuticals International, Inc. - Chairman & CEO*

In terms of next year's sales for Jublia?

**David Steinberg** - *Jefferies & Co. - Analyst*

Yes.

**J. Michael Pearson** - *Valeant Pharmaceuticals International, Inc. - Chairman & CEO*

If our run rate at the end of the year is \$200 million, then certainly \$150 million would be a little bit light as an estimate. We haven't gone through but it's probably closer to the \$400 million -- \$300 million to \$400 million. But that's just a bit of an estimate.

**David Steinberg** - *Jefferies & Co. - Analyst*

Okay. Thanks.

**Operator**

Sachin Shah with Albert Fried.



## **Exhibit 11**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended June 30, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
(Exact name of registrant as specified in its charter)

**Canada**

(State or other jurisdiction of  
incorporation or organization)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**98-0448205**

(I.R.S. Employer Identification No.)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 333,524,295 shares issued and outstanding as of August 2, 2013.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this "Form 10-Q") to the "Company", "we", "us", "our" or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to "\$" and "US\$" are to United States ("U.S.") dollars, references to "€" are to Euros, references to "R\$" are to Brazilian real and references to "MXN\$" are to Mexican peso.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and "Safe-Harbor" statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, "forward-looking statements").*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions, such as cost savings, operating synergies and growth potential of the Company; business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "estimate", "plan", "continue", "will", "may", "could", "would", "target", "potential" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a large, complex business;*
- *the introduction of generic competitors of our brand products;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights, which products represent a significant portion of our revenues;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the integration of the companies, businesses and products acquired by the Company (including the integration relating to our recent acquisitions of Bausch & Lomb Holdings Incorporated ("B&L"), Mediciis Pharmaceutical Corporation ("Mediciis"), and Obagi Medical Products, Inc.), such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities), and the achievement of the anticipated benefits from such integrations;*
- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions, including from our recent acquisition of B&L (which we anticipate will be approximately \$800 million), and/or the estimated synergies from our*

recent acquisition of Medicis (which we anticipate will be approximately \$300 million) as a result of cost-rationalization and integration initiatives, including greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;

- our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;
- our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;
- our substantial debt and debt service obligations and their impact on our financial condition and results of operations;
- our future cash flow, our ability to service and repay our existing debt and our ability to raise additional funds, if needed, in light of our current and projected levels of operations, acquisition activity and general economic conditions;
- interest rate risks associated with our floating debt borrowings;
- the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets;
- adverse global economic conditions and credit market and foreign currency exchange uncertainty in Europe, Latin America, Asia, Africa, and other countries in which we do business;
- economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;
- our ability to retain, motivate and recruit executives and other key employees;
- the outcome of legal proceedings, investigations and regulatory proceedings;
- the risk that our products could cause, or be alleged to cause, personal injury, leading to potential lawsuits and/or withdrawals of products from the market;
- the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including, but not limited to, the U.S. Food and Drug Administration, Health Canada and European, Asian, Brazilian and Australian regulatory approvals, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;
- the results of continuing safety and efficacy studies by industry and government agencies;
- the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;
- the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;
- the impact of price control restrictions on our products, including the risk of mandated price reductions;
- the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, including ezogabine/retigabine, which could lead to material impairment charges;
- the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;
- the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;
- our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and supply difficulties and delays;
- the disruption of delivery of our products and the routine flow of manufactured goods;

- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act and other legislative and regulatory healthcare reforms in the countries in which we operate; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. of Part II of this Form 10-Q, under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, and in the Company’s other filings with the SEC and CSA. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes.*

See note 5 to the unaudited consolidated financial statements for detailed information regarding our License and Collaboration Agreement with GlaxoSmithKline (“GSK”) and our Zovirax authorized generic and co-promotion agreements with Actavis, Inc. (“Actavis”).

## RESTRUCTURING AND INTEGRATION

### Medicis Acquisition-Related Cost-Rationalization and Integration Initiatives

The complementary nature of the Company and Medicis Pharmaceutical Corporation (“Medicis”) businesses has provided an opportunity to capture significant operating synergies from reductions in sales and marketing, general and administrative expenses, and research and development. In total, we have identified approximately \$300 million of cost synergies on an annual run rate basis that we expect to achieve by the end of 2013. This amount does not include potential revenue synergies or the potential benefits of expanding the Company’s corporate structure to Medicis’ operations.

We estimate that we will incur total costs that are significantly less than the estimated annual synergies of \$300 million in connection with these cost-rationalization and integration initiatives, which are expected to be substantially completed by the end of 2013. Since the acquisition date, total costs of \$161.3 million (including (i) \$106.7 million of restructuring expenses, (ii) \$31.8 million of acquisition-related costs, which excludes \$24.2 million of acquisition-related costs recognized in the fourth quarter of 2012 related to royalties to be paid to Galderma S.A. on sales of Sculptra®, and (iii) \$22.8 million of integration expenses) have been incurred through June 30, 2013. These costs primarily include: employee termination costs payable to approximately 750 employees of the Company and Medicis who have been or will be terminated as a result of the Medicis acquisition; in-process research and development (“IPR&D”) termination costs related to the transfer to other parties of product-development programs that did not align with our research and development model; costs to consolidate or close facilities and relocate employees; and contract termination and lease cancellation costs. These estimates do not include a charge of \$77.3 million recognized and paid in the fourth quarter of 2012 related to the acceleration of unvested stock options, restricted stock awards, and share appreciation rights for Medicis employees that was triggered by the change in control.

See note 6 to the unaudited consolidated financial statements for detailed information summarizing the major components of costs incurred in connection with our Medicis acquisition-related initiatives through June 30, 2013.

## SELECTED FINANCIAL INFORMATION

The following table provides selected financial information for the periods indicated:

(\$ in 000s, except per share data)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change		2013	2012	Change	
	\$	\$	\$	%	\$	\$	\$	%
Revenues	1,095,762	820,090	275,672	34	2,164,117	1,676,193	487,924	29
Operating expenses	954,249	733,280	220,969	30	1,905,598	1,527,887	377,711	25
Net income (loss)	10,866	(21,607)	32,473	NM	(16,664)	(34,528)	17,864	(52)
Basic earnings (loss) per share	0.04	(0.07)	0.11	NM	(0.05)	(0.11)	0.06	(55)
Diluted earnings (loss) per share	0.03	(0.07)	0.10	NM	(0.05)	(0.11)	0.06	(55)

	As of June 30, 2013	As of December 31, 2012	Change	
	\$	\$	\$	%
Total assets	19,782,258	17,950,379	1,831,879	10
Long-term debt, including current portion	10,794,105	11,015,625	(221,520)	(2)

NM - Not meaningful

## Financial Performance

### Changes in Revenues

Total revenues increased \$275.7 million, or 34%, to \$1,095.8 million in the second quarter of 2013, compared with \$820.1 million in the second quarter of 2012 and increased \$487.9 million, or 29%, to \$2,164.1 million in the first half of 2013, compared with \$1,676.2 million in the first half of 2012, primarily due to:

- incremental product sales revenue of \$240.3 million and \$509.6 million in the aggregate, from all 2012 acquisitions in the second quarter and first half of 2013, respectively, primarily from the Medicis, OraPharma Topco Holdings, Inc. (“OraPharma”), Johnson & Johnson Consumer Companies, Inc. (“J&J North America”) and QLT Inc. and QLT Ophthalmics, Inc. (collectively, “QLT”) acquisitions. We also recognized incremental product sales revenue of \$64.4 million and \$99.7 million, in the aggregate, from all 2013 acquisitions in the second quarter and first half of 2013, respectively, primarily from the Obagi, Natur Produkt and Eisai acquisitions;
- incremental product sales revenue of \$72.2 million and \$109.0 million in the second quarter and first half of 2013, respectively, related to growth from the existing business, excluding the declines in Developed Markets described below. In the Developed Markets segment, the revenue increase was driven primarily by price, while volume was the main driver of growth in the Emerging Markets segment; and
- a positive foreign currency exchange impact on the existing business of \$2.8 million in the second quarter of 2013.

Those factors were partially offset by:

- alliance revenue of \$66.3 million on the sale of 1% clindamycin and 5% benzoyl peroxide gel (“IDP-111”) and 5% fluorouracil cream (“5-FU”) products in the first half of 2012 that did not similarly occur in the first half of 2013;
- decrease in product sales in the Developed Markets segment of \$19.6 million and \$45.7 million, in the aggregate, in the second quarter and first half of 2013, respectively, due to the continued impact of generic competition, primarily related to a decline in sales of BenzaClin® and Cesamet®;
- alliance revenue of \$45.0 million recognized in the second quarter of 2012 related to the milestone payment received from GSK in connection with the launch of Potiga® that did not similarly occur in the second quarter of 2013;
- a negative impact from divestitures, discontinuations and supply interruptions of \$13.7 million and \$40.1 million, in the aggregate, in the second quarter and first half of 2013, respectively, including a decrease of \$4.4 million in the first half of 2013, related to IDP-111 royalty revenue as a result of the sale of IDP-111 in February 2012;
- decrease in product sales in the Developed Markets segment of \$25.9 million in the second quarter and first half of 2013 related to a decline in sales of Zovirax® due to generic competition;
- a decrease in service revenue of \$7.7 million in the first half of 2013, primarily due to lower contract manufacturing revenue from the Laval, Quebec facility, which was acquired as part of the acquisition of the Dermik business from Sanofi in December 2011; and
- a negative foreign currency exchange impact on the existing business of \$2.4 million in the first half of 2013.

#### ***Changes in Earnings***

Net income was \$10.9 million (basic and diluted earnings per share of \$0.04 and \$0.03, respectively) in the second quarter of 2013, compared with net loss of \$21.6 million (basic and diluted loss per share of \$0.07) in the second quarter of 2012 and net loss decreased \$17.9 million, or 52%, to \$16.7 million (basic and diluted loss per share of \$0.05) in the first half of 2013, compared with net loss of \$34.5 million (basic and diluted loss per share of \$0.11) in the first half of 2012, reflecting the following factors:

- an increase in contribution (product sales revenue less cost of goods sold, exclusive of amortization of intangible assets) of \$230.3 million and \$457.6 million in the second quarter and first half of 2013, respectively, mainly related to the incremental contribution of Medicis, OraPharma, Obagi, Eisai, Natur Produkt and Gerot Lannach;
- an increase of \$55.8 million and \$82.8 million in recovery of income taxes in the second quarter and first half of 2013, respectively, as described below under “Results of Operations - Income Taxes”;
- a decrease of \$52.5 million and \$51.2 million in legal settlements and related fees in the second quarter and first half of 2013, respectively, as described below under “Results of Operations - Operating Expenses - Legal Settlements and Related Fees”; and

## **Exhibit 12**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**

(State or other jurisdiction of  
incorporation or organization)

**98-0448205**

(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**

(Address of principal executive offices)

**H7L 4A8**

(Zip Code)

**(514) 744-6792**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 333,889,863 shares issued and outstanding as of October 29, 2013.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” and “US\$” are to United States (“U.S.”) dollars, references to “€” are to Euros, references to “R\$” are to Brazilian real, references to “MXN\$” are to Mexican peso and references to “¥” are to Japanese yen.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions, such as cost savings, operating synergies and growth potential of the Company; business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “target”, “potential” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a large, complex business;*
- *the introduction of generic competitors of our brand products;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights, which products represent a significant portion of our revenues;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the integration of the companies, businesses and products acquired by the Company (including the integration relating to our recent acquisitions of Bausch & Lomb Holdings Incorporated (“B&L”), Medicis Pharmaceutical Corporation (“Medicis”), and Obagi Medical Products, Inc.), such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges and costs associated with managing and integrating new facilities, equipment and other assets, and the achievement of the anticipated benefits from such integrations;*

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions, including from our recent acquisition of B&L (which we anticipate will be greater than \$850 million) and our recent acquisition of Medicis (which we anticipate will be approximately \$300 million) as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt and our ability to raise additional funds, if needed, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *interest rate risks associated with our floating debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in such countries);*
- *adverse global economic conditions and credit market and foreign currency exchange uncertainty in the countries in which we do business;*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *the outcome of legal proceedings, investigations and regulatory proceedings;*
- *the risk that our products could cause, or be alleged to cause, personal injury, leading to potential lawsuits and/or withdrawals of products from the market;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including, but not limited to, the U.S. Food and Drug Administration, Health Canada and European, Asian, Brazilian and Australian regulatory approvals, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*
- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and supply difficulties and delays;*

- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act and other legislative and regulatory healthcare reforms in the countries in which we operate; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. of Part II of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, and in the Company’s other filings with the SEC and CSA. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes.*

See note 6 to the unaudited consolidated financial statements for detailed information summarizing the major components of costs incurred in connection with our B&L and Medicis Acquisition-related initiatives through September 30, 2013.

## SELECTED FINANCIAL INFORMATION

The following table provides selected financial information for the periods indicated:

(\$ in 000s, except per share data)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change		2013	2012	Change	
	\$	\$	\$	%	\$	\$	\$	%
Revenues	1,541,731	884,140	657,591	74	3,705,848	2,560,333	1,145,515	45
Operating expenses	2,433,229	854,676	1,578,553	185	4,338,827	2,382,563	1,956,264	82
Net (loss) income attributable to Valeant Pharmaceuticals International, Inc.	(973,243)	7,645	(980,888)	NM	(989,907)	(26,883)	(963,024)	NM
(Loss) earnings per share attributable to Valeant Pharmaceuticals International, Inc.:								
Basic	(2.92)	0.03	(2.95)	NM	(3.13)	(0.09)	(3.04)	NM
Diluted	(2.92)	0.02	(2.94)	NM	(3.13)	(0.09)	(3.04)	NM

	As of September 30, 2013	As of December 31, 2012	Change	
	\$	\$	\$	%
Total assets	28,204,384	17,950,379	10,254,005	57
Long-term debt, including current portion	17,404,714	11,015,625	6,389,089	58

NM - Not meaningful

## Financial Performance

### Changes in Revenues

Total revenues increased \$657.6 million, or 74%, to \$1,541.7 million in the third quarter of 2013, compared with \$884.1 million in the third quarter of 2012 and increased \$1,145.5 million, or 45%, to \$3,705.8 million in the first nine months of 2013, compared with \$2,560.3 million in the first nine months of 2012, primarily due to:

- incremental product sales revenue of \$191.6 million and \$701.2 million in the aggregate, from all 2012 acquisitions in the third quarter and first nine months of 2013, respectively, primarily from the Medicis, OraPharma Topco Holdings, Inc. (“OraPharma”), Johnson & Johnson Consumer Companies, Inc. (“J&J North America”) and QLT Inc. and QLT Ophthalmics, Inc. (collectively, “QLT”) acquisitions. We also recognized incremental product sales revenue of \$565.6 million and \$665.2 million, in the aggregate, from all 2013 acquisitions in the third quarter and first nine months of 2013, respectively, primarily from the B&L, Natur Produkt, Obagi and Eisai acquisitions. The incremental product sales revenue from the 2012 and 2013 acquisitions includes a negative foreign exchange impact of \$9.1 million and \$9.5 million, in the aggregate, in the third quarter and first nine months of 2013, respectively;
- incremental product sales revenue of \$51.5 million and \$185.9 million in the third quarter and first nine months of 2013, respectively, related to growth from the existing business, excluding the declines in Developed Markets described below. In the Developed Markets segment, the revenue increase was driven primarily by price, while volume was the main driver of growth in the Emerging Markets segment; and
- an increase in alliance revenue of \$7.1 million in the first nine months of 2013, primarily related to Visudyne® royalty revenue.

Those factors were partially offset by:

- decrease in product sales in the Developed Markets segment of \$124.4 million and \$221.4 million, in the aggregate, in the third quarter and first nine months of 2013, respectively, primarily related to a decline in sales of the Zovirax® franchise, Retin-A Micro®, BenzaClin® and Cesamet® due to the impact of generic competition;

- alliance revenue of \$66.3 million on the sale of 1% clindamycin and 5% benzoyl peroxide gel (“IDP-111”) and 5% fluorouracil cream (“5-FU”) products in the first nine months of 2012 that did not similarly occur in the first nine months of 2013;
- a negative impact from divestitures, discontinuations and supply interruptions of \$19.5 million and \$59.6 million, in the aggregate, in the third quarter and first nine months of 2013, respectively, including a decrease of \$4.4 million in the first nine months of 2013, related to IDP-111 royalty revenue as a result of the sale of IDP-111 in February 2012;
- alliance revenue of \$45.0 million recognized in the first nine months of 2012 related to the milestone payment received from GSK in connection with the launch of Potiga® that did not similarly occur in the first nine months of 2013;
- a negative foreign currency exchange impact on the existing business of \$11.0 million and \$13.3 million in the third quarter and first nine months of 2013, respectively; and
- a decrease in service revenue of \$8.0 million in the first nine months of 2013, primarily due to lower contract manufacturing revenue from the Laval, Quebec facility, which was acquired as part of the acquisition of the Dermik business from Sanofi in December 2011.

***Changes in Earnings Attributable to Valeant Pharmaceuticals International, Inc.***

Net loss attributable to Valeant Pharmaceuticals International, Inc. was \$973.2 million (basic and diluted loss per share attributable to Valeant Pharmaceuticals International, Inc. of \$2.92) in the third quarter of 2013, compared with net income attributable to Valeant Pharmaceuticals International, Inc. of \$7.6 million (basic and diluted earnings per share attributable to Valeant Pharmaceuticals International, Inc. of \$0.03 and \$0.02, respectively) in the third quarter of 2012, and net loss attributable to Valeant Pharmaceuticals International, Inc. increased \$963.0 million to \$989.9 million (basic and diluted loss per share attributable to Valeant Pharmaceuticals International, Inc. of \$3.13) in the first nine months of 2013, compared with net loss attributable to Valeant Pharmaceuticals International, Inc. of \$26.9 million (basic and diluted loss per share attributable to Valeant Pharmaceuticals International, Inc. of \$0.09) in the first nine months of 2012, reflecting the following factors:

- an increase of \$692.1 million and \$910.6 million in amortization and impairments of finite-lived intangible assets in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Operating Expenses - Amortization and Impairments of Finite-Lived Intangible Assets”;
- an increase of \$167.0 million and \$303.5 million in selling, general and administrative expense in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Operating Expenses - Selling, General and Administrative Expenses”;
- an increase of \$253.0 million and \$263.3 million in restructuring, integration and other costs in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Operating Expenses - Restructuring, Integration and Other Costs”;
- an increase of \$133.3 million and \$262.7 million in interest expense in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Non-Operating Income (Expense) - Interest Expense”;
- an increase of \$149.6 million and \$98.4 million in legal settlements and related fees in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Operating Expenses - Legal Settlements and Related Fees”;
- a decrease of \$42.7 million in contribution from (i) alliance and royalty revenue and (ii) service revenue (alliance and royalty revenue and service revenue less cost of alliance and service revenue) in the first nine months of 2013, primarily due to \$45.0 million recognized in the first nine months of 2012 related to the milestone payment received from GSK in connection with the launch of Potiga® that did not similarly occur in the first nine months of 2013;
- an increase of \$5.8 million and \$27.1 million in loss on extinguishment of debt in the third quarter and first nine months of 2013, respectively, as described below under “Results of Operations - Non-Operating Income (Expense) - Loss on Extinguishment of Debt”; and
- a decrease of \$22.0 million in foreign exchange and other in the first nine months of 2013, as described below under “Results of Operations - Non-Operating Income (Expense) - Foreign Exchange and Other”.

Those factors were partially offset by:

## **Exhibit 13**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended March 31, 2014**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0448205**  
(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 335,267,871 shares issued and outstanding as of May 6, 2014.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” and “US\$” are to United States (“U.S.”) dollars.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions, such as cost savings, operating synergies and growth potential of the Company; business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “target”, “potential” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a larger, more complex business;*
- *the introduction of generic competitors of our brand products;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights, which products represent a significant portion of our revenues;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the integration of the companies, businesses and products acquired by the Company (including the integration relating to our recent acquisitions of Solta Medical, Inc. (“Solta Medical”), Bausch & Lomb Holdings Incorporated (“B&L”), Obagi Medical Products, Inc. (“Obagi”), and Medicis Pharmaceutical Corporation (“Medicis”)), such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges and costs associated with managing and integrating new facilities, equipment and other assets, and the achievement of the anticipated benefits from such integrations;*

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions, including from our recent acquisition of B&L (which we anticipate will be greater than \$900 million), as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *factors relating to our ability to agree to terms respecting or to consummate any proposed merger with Allergan, Inc., some of which are beyond our control;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt and our ability to raise additional funds, if needed, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *interest rate risks associated with our floating debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in those markets);*
- *adverse global economic conditions and credit market and foreign currency exchange uncertainty in the countries in which we do business (such as the recent instability in Russia and the Ukraine);*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *our ability to obtain and maintain sufficient intellectual property rights over our products and defend against challenge to such intellectual property;*
- *the outcome of legal proceedings, investigations and regulatory proceedings;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits and/or withdrawals of products from the market;*
- *the availability of and our ability to obtain and maintain adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including, but not limited to, the U.S. Food and Drug Administration, Health Canada and other regulatory approvals, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*
- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*

- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *negative publicity or reputational harm to our products and business;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, and in the Company’s other filings with the SEC and CSA. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law.*

### *Changes in Revenues*

Total revenues increased \$817.8 million, or 77%, to \$1.9 billion in the first quarter of 2014, compared with \$1.1 billion in the first quarter of 2013, primarily due to incremental product sales revenue of \$881.5 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the first quarter of 2014, partially offset by (i) a negative impact from divestitures, discontinuations and supply interruptions of \$58.4 million, (ii) a decrease in product sales of \$53.9 million in the first quarter of 2014 due to the impact of generic competition in the Developed Markets segment, and (iii) a negative foreign currency impact on the existing business of \$23.7 million. Excluding the items described above, we realized incremental product sales revenue of \$66.7 million in the first quarter of 2014 related to growth from the remainder of the existing business. The above changes in revenues are further described below under “Results of Operations - Revenues by Segment”.

### *Changes in Earnings Attributable to Valeant Pharmaceuticals International, Inc.*

Net loss attributable to Valeant Pharmaceuticals International, Inc. decreased \$4.9 million, or 18%, to \$22.6 million (basic and diluted loss per share attributable to Valeant Pharmaceuticals International, Inc. of \$0.07) in the first quarter of 2014, compared with \$27.5 million (basic and diluted loss per share attributable to Valeant Pharmaceuticals International, Inc. of \$0.09) in the first quarter of 2013, primarily due to (i) an increase in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of finite-lived intangible assets) of \$593.0 million in the first quarter of 2014, as further described below under “Results of Operations - Segment Profit”, partially offset by (ii) an increase in operating expenses, as further described below under “Results of Operations - Operating Expenses”.

### *Net Income Attributable to Noncontrolling Interest*

Net income attributable to noncontrolling interest was \$2.3 million in the first quarter of 2014, primarily related to the performance of joint ventures acquired in connection with the B&L Acquisition.

## RESULTS OF OPERATIONS

### Reportable Segments

We have two operating and reportable segments: (i) Developed Markets, and (ii) Emerging Markets. The following is a brief description of our segments:

- **Developed Markets** consists of (i) sales in the U.S. of pharmaceutical products, OTC products, and medical device products, as well as alliance and contract service revenues, in the areas of eye health, dermatology and podiatry, aesthetics, and dentistry, (ii) sales in the U.S. of pharmaceutical products indicated for the treatment of neurological and other diseases, as well as alliance revenue from the licensing of various products we developed or acquired, and (iii) pharmaceutical products, OTC products, and medical device products sold in Canada, Australia, New Zealand, Western Europe and Japan.
- **Emerging Markets** consists of branded generic pharmaceutical products and branded pharmaceuticals, OTC products, and medical device products. Products are sold primarily in Central and Eastern Europe (primarily Poland and Russia), Asia, Latin America (Mexico, Brazil, and Argentina and exports out of Mexico to other Latin American markets), Africa and the Middle East.

### Revenues By Segment

The following table displays revenues by segment for the first quarters of 2014 and 2013, the percentage of each segment’s revenues compared with total revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment’s revenues. Percentages may not add due to rounding.

(S in millions)	Three Months Ended March 31,					
	2014		2013		Change	
	\$	%	\$	%	\$	%
Developed Markets	1,421.8	75	780.3	73	641.5	82
Emerging Markets	464.4	25	288.1	27	176.3	61
Total revenues	1,886.2	100	1,068.4	100	817.8	77

Total revenues increased \$817.8 million, or 77%, to \$1.9 billion in the first quarter of 2014, compared with \$1.1 billion in the first quarter of 2013, mainly attributable to the effect of the following factors:

Developed Markets segment:

- the incremental product sales revenue of \$665.1 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the first quarter of 2014, primarily from (i) the 2013 acquisitions of B&L (driven by SofLens® contact lenses product line sales, PureVision® and ReNu Multiplus® product sales) and Obagi Medical Products, Inc. (“Obagi”) (mainly driven by Nu-Derm® and Obagi-C® product sales); and (ii) the 2014 acquisition of Solta Medical (mainly driven by Thermage CPT® system product sales).

This factor was partially offset by:

- decrease in product sales of \$53.9 million in the first quarter of 2014 related to a decline in sales of the Zovirax®, Vanos®, and Retin-A Micro® franchises and Wellbutrin® XL (Canada) due to generic competition. We anticipate a continuing decline in sales of Zovirax® ointment, Vanos®, Retin-A Micro® and Wellbutrin® XL (Canada) due to continued generic erosion, however the rate of decline is expected to decrease in the future, and these brands are expected to represent a declining percentage of total revenues primarily due to anticipated growth in other parts of our business and recent acquisitions;
- a negative impact from divestitures, discontinuations and supply interruptions of \$23.0 million in the first quarter of 2014. The largest contributor was the divestiture of Buphenyl® in 2013; and
- a negative foreign currency exchange impact on the existing business of \$11.0 million in the first quarter of 2014.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$58.9 million, or 8%, in the first quarter of 2014, which was driven primarily by price. The growth included higher sales of (i) orphan products (Syprine® and Xenazine®) and (ii) Elidel®.

Emerging Markets segment:

- the incremental product sales revenue of \$216.4 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the first quarter of 2014, primarily from the 2013 acquisition of B&L (driven by SofLens® contact lenses product line sales and ReNu Multiplus® product sales) and the 2014 acquisition of Solta Medical (mainly driven by Thermage CPT® system product sales).

This factor was partially offset by:

- a negative impact from divestitures, discontinuations and supply interruptions of \$35.4 million in the first quarter of 2014, primarily from Eastern Europe and Brazil; and
- a negative foreign currency exchange impact on the existing business of \$12.7 million in the first quarter of 2014.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$7.8 million, or 3%, in the first quarter of 2014.

**Segment Profit**

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as restructuring and acquisition-related costs, in-process research and development impairments and other charges and other (income) expense, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. In addition, a majority of share-based compensation is not allocated to segments, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

The following table displays profit by segment for the first quarters of 2014 and 2013, the percentage of each segment’s profit compared with corresponding segment revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment’s profit. Percentages may not add due to rounding.

## **Exhibit 14**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended June 30, 2014**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0448205**  
(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 335,411,043 shares issued and outstanding as of July 29, 2014.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” and “US\$” are to United States (“U.S.”) dollars.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions, such as cost savings, operating synergies and growth potential of the Company; business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “should”, “target”, “potential”, “opportunity”, “positioning”, “designed”, “create”, “predict”, “project”, “seek”, “ongoing”, “increase”, “upside” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a larger, more complex business;*
- *the introduction of generic competitors of our brand products;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights, which products represent a significant portion of our revenues;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the integration of the companies, businesses and products acquired by the Company (including the integration relating to our recent acquisitions of PreCision Dermatology, Inc. (“PreCision”), Solta Medical, Inc. (“Solta Medical”), and Bausch & Lomb Holdings Incorporated (“B&L”)), such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges*

*and costs associated with managing and integrating new facilities, equipment and other assets, and the achievement of the anticipated benefits from such integrations;*

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions, including from our recent acquisition of B&L (which we anticipate will be greater than \$900 million), as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *the ultimate outcome of any possible transaction between the Company and Allergan, Inc. ("Allergan") including the possibilities that the Company will not continue to pursue a transaction with Allergan or that Allergan will reject a transaction with the Company and factors relating to the time, resources and efforts expended in pursuing a transaction with Allergan;*
- *ability to obtain regulatory approvals and meet other closing conditions to the proposed Allergan transaction, including all necessary stockholder approvals, on a timely basis;*
- *the ultimate outcome and results of integrating the operations of the Company and Allergan, the ultimate outcome of the Company's pricing and operating strategy applied to Allergan and the ultimate ability to realize synergies;*
- *the effects of the business combination of the Company and Allergan, including the combined company's future financial condition, operating results, strategy and plans;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt and our ability to raise additional funds, if needed, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *interest rate risks associated with our floating debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in those markets);*
- *adverse global economic conditions and credit market and foreign currency exchange uncertainty in the countries in which we do business (such as the recent instability in Russia, Ukraine and the Middle East);*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *our ability to obtain and maintain sufficient intellectual property rights over our products and defend against challenge to such intellectual property;*
- *the outcome of legal proceedings, investigations and regulatory proceedings;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits and/or withdrawals of products from the market;*
- *the availability of and our ability to obtain and maintain adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including, but not limited to, the U.S. Food and Drug Administration, Health Canada and other regulatory approvals, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*

- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *negative publicity or reputational harm to our products and business, including as faced in connection with our proposed transaction with Allergan;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, and in the Company’s other filings with the SEC and CSA. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law.*

aesthetics, and dentistry, (ii) sales in the U.S. of pharmaceutical products indicated for the treatment of neurological and other diseases, as well as alliance revenue from the licensing of various products we developed or acquired, and (iii) pharmaceutical products, OTC products, and medical device products sold in Canada, Australia, New Zealand, Western Europe and Japan.

- **Emerging Markets** consists of branded generic pharmaceutical products and branded pharmaceuticals, OTC products, and medical device products. Products are sold primarily in Central and Eastern Europe (primarily Poland and Russia), Asia, Latin America (Mexico, Brazil, and Argentina and exports out of Mexico to other Latin American markets), Africa and the Middle East.

## Revenues By Segment

The following table displays revenues by segment for the second quarters and first halves of 2014 and 2013, the percentage of each segment's revenues compared with total revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment's revenues. Percentages may not add due to rounding.

(\$ in millions)	Three Months Ended June 30,						Six Months Ended June 30,					
	2014		2013		Change		2014		2013		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Developed Markets	1,479.7	72	799.8	73	679.9	85	2,901.5	74	1,580.1	73	1,321.4	84
Emerging Markets	561.4	28	295.9	27	265.5	90	1,025.8	26	584.0	27	441.8	76
Total revenues	2,041.1	100	1,095.7	100	945.4	86	3,927.3	100	2,164.1	100	1,763.2	81

Total revenues increased \$945.4 million, or 86%, to \$2.0 billion in the second quarter of 2014, compared with \$1.1 billion in the second quarter of 2013 and increased \$1.8 billion, or 81%, to \$3.9 billion in the first half of 2014, compared with \$2.2 billion in the first half of 2013, mainly attributable to the effect of the following factors:

### Developed Markets segment:

- the incremental product sales revenue of \$709.2 million and \$1,374.4 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the second quarter and first half of 2014, respectively, primarily from (i) the 2013 acquisitions of B&L (driven by OcuVite®/PreserVision®, Lotemax® Gel, ReNu Multiplus®, and Biotrue® MultiPurpose Solution product sales) and (ii) the 2014 acquisition of Solta Medical (mainly driven by Thermage CPT® system product sales).

This factor was partially offset by:

- decrease in product sales of \$53.6 million and \$107.5 million, in the aggregate, in the second quarter and first half of 2014, respectively, related to a decline in sales of the Retin-A Micro®, Vanos®, and Zovirax® franchises and Wellbutrin® XL (Canada) due to generic competition. We anticipate a continuing decline in sales of Retin-A Micro®, Vanos®, Zovirax® ointment, and Wellbutrin® XL (Canada) due to continued generic erosion. However, the rate of decline is expected to decrease in the future, and these brands are expected to represent a declining percentage of total revenues primarily due to anticipated growth in other parts of our business and recent acquisitions;
- decrease in product sales of \$31.2 million and \$53.3 million, in the aggregate, in the second quarter and first half of 2014, respectively, related to facial injectables (filler and toxin assets). The decline was primarily due to sales force disruption following the announcements in the first half of 2014 of (i) the proposed merger with Allergan and (ii) the planned divestiture of these products to Galderma S.A. These assets were designated as assets held for sale as of June 30, 2014;
- a negative impact from divestitures, discontinuations and supply interruptions of \$24.2 million and \$47.2 million in the second quarter and first half of 2014, respectively. The largest contributors were the discontinuation of Maxair® and the divestiture of Buphenyl® in 2013; and
- a negative foreign currency exchange impact on the existing business of \$6.4 million and \$17.4 million in the second quarter and first half of 2014, respectively.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$72.0 million and \$152.9 million in the second quarter and first half of 2014, respectively, which was driven

primarily by price increases. The growth in both periods included higher sales of (i) Wellbutrin® XL (U.S.), (ii) orphan products (Syprine® and Xenazine®), (iii) Targretin®, and (iv) Elidel®.

Emerging Markets segment:

- the incremental product sales revenue of \$250.7 million and \$467.0 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the second quarter and first half of 2014, respectively, primarily from the 2013 acquisition of B&L (driven by ReNu Multiplus® product sales) and the 2014 acquisition of Solta Medical (mainly driven by Thermage CPT® system product sales).

This factor was partially offset by:

- a negative impact from divestitures, discontinuations and supply interruptions of \$4.6 million and \$40.0 million in the second quarter and first half of 2014, respectively, primarily from Eastern Europe and Brazil;
- a negative foreign currency exchange impact on the existing business of \$1.6 million and \$14.3 million in the second quarter and first half of 2014, respectively; and
- decrease in product sales of \$2.5 million and \$3.9 million, in the aggregate, in the second quarter and first half of 2014, respectively, related to facial injectables (filler and toxin assets) designated as assets held for sale as of June 30, 2014.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$22.9 million and \$32.1 million in the second quarter and first half of 2014, respectively, which was primarily driven by volume.

**Segment Profit**

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as restructuring and acquisition-related costs, in-process research and development impairments and other charges and other (income) expense, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. In addition, a portion of share-based compensation is not allocated to segments, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

The following table displays profit by segment for the second quarters and first halves of 2014 and 2013, the percentage of each segment's profit compared with corresponding segment revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment's profit. Percentages may not add due to rounding.

(\$ in millions)	Three Months Ended June 30,						Six Months Ended June 30,					
	2014		2013		Change		2014		2013		Change	
	\$	% <sup>(1)</sup>	\$	% <sup>(1)</sup>	\$	%	\$	% <sup>(1)</sup>	\$	% <sup>(1)</sup>	\$	%
Developed Markets	458.0	31	247.2	31	210.8	85	897.3	31	434.9	28	462.4	106
Emerging Markets	96.0	17	18.2	6	77.8	NM	164.1	16	44.4	8	119.7	NM
Total segment profit	554.0	27	265.4	24	288.6	109	1,061.4	27	479.3	22	582.1	121

(1) - Represents profit as a percentage of the corresponding revenues.

NM - Not meaningful

Total segment profit increased \$288.6 million, or 109%, to \$554.0 million in the second quarter of 2014, compared with \$265.4 million in the second quarter of 2013, and increased \$582.1 million, or 121%, to \$1.1 billion in the first half of 2014, compared with \$479.3 million in the first half of 2013, mainly attributable to the effect of the following factors:

Developed Markets segment:

- an increase in contribution of \$491.5 million and \$942.5 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the second quarter and first half of 2014, respectively, primarily from the product sales of B&L, including higher expenses for acquisition accounting adjustments related to inventory of \$6.4 million and \$13.5 million, in the aggregate, in the second quarter and first half of 2014, respectively; and

- a favorable impact of \$24.5 million and \$65.6 million related to the existing business acquisition accounting adjustments related to inventory in the second quarter and first half of 2013, respectively, that did not similarly occur in the second quarter and first half of 2014.

Those factors were partially offset by:

- an increase in operating expenses (including amortization and impairments of finite-lived intangible assets) of \$273.5 million and \$500.0 million in the second quarter and first half of 2014, respectively, primarily due to the acquisitions of new businesses within the segment;
- a decrease in contribution of \$50.4 million and \$103.1 million in the second quarter and first half of 2014, respectively, related to the lower sales of the Retin-A Micro®, Vanos®, and Zovirax® franchises and Wellbutrin® XL (Canada) as a result of the continued impact of generic competition;
- a decrease in contribution of \$26.5 million and \$47.0 million in the second quarter and first half of 2014, respectively, related to facial injectables (filler and toxin assets). These assets were designated as assets held for sale as of June 30, 2014;
- a decrease in contribution of \$18.7 million and \$37.3 million in the second quarter and first half of 2014, respectively, related to divestitures, discontinuations and supply interruptions; and
- a negative foreign currency exchange impact on the existing business contribution of \$4.9 million and \$13.3 million in the second quarter and first half of 2014, respectively.

Excluding the items described above, we realized incremental contribution from product sales from the remainder of the existing business of \$56.1 million and \$135.5 million in the second quarter and first half of 2014, respectively, driven by sales of (i) Wellbutrin® XL (U.S.), (ii) orphan products (Syprine® and Xenazine®), (iii) Targretin®, and (iv) Elidel®.

*Emerging Markets segment:*

- an increase in contribution of \$166.1 million and \$310.0 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions, in the second quarter and first half of 2014, respectively, primarily from the sale of B&L products.

This factor was partially offset by:

- an increase in operating expenses (including amortization and impairments of finite-lived intangible assets) of \$95.6 million and \$175.2 million in the second quarter and first half of 2014, respectively, primarily associated with the acquisitions of new businesses within the segment;
- a decrease in contribution of \$2.9 million and \$23.9 million in the second quarter and first half of 2014, respectively, related to divestitures, discontinuations and supply interruptions;
- a negative foreign currency exchange impact on the existing business contribution of \$8.9 million in the first half of 2014; and
- a decrease in contribution of \$2.3 million and \$3.4 million in the second quarter and first half of 2014, respectively, related to facial injectables (filler and toxin assets) designated as assets held for sale as of June 30, 2014.

Excluding the items described above, we realized incremental contribution from product sales from the remainder of the existing business of \$12.7 million and \$20.4 million in the second quarter and first half of 2014, respectively.

**Operating Expenses**

The following table displays the dollar amount of each operating expense category for the second quarters and first halves of 2014 and 2013, the percentage of each category compared with total revenues in the respective period, and the dollar and percentage changes in the dollar amount of each category. Percentages may not add due to rounding.

## **Exhibit 15**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended September 30, 2014**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0448205**  
(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 335,672,637 shares issued and outstanding as of October 21, 2014.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” and “US\$” are to United States (“U.S.”) dollars.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions, such as cost savings, operating synergies and growth potential of the Company; business plans and prospects, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “should”, “target”, “potential”, “opportunity”, “tentative”, “positioning”, “designed”, “create”, “predict”, “project”, “seek”, “ongoing”, “increase”, or “upside” and variations or other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a larger, more complex business;*
- *the introduction of generic competitors of our brand products;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights, which products represent a significant portion of our revenues;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the integration of the companies, businesses and products acquired by the Company (including the integration relating to our recent acquisitions of PreCision Dermatology, Inc. (“PreCision”), Solta Medical, Inc. (“Solta Medical”), and Bausch & Lomb Holdings Incorporated (“B&L”)), such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges*

*and costs associated with managing and integrating new facilities, equipment and other assets, and the achievement of the anticipated benefits from such integrations;*

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *the ultimate outcome of any possible transaction between the Company and Allergan, Inc. (“Allergan”), including the ultimate removal or the failure to render inapplicable the obstacles to consummation of such transaction, or the possibility that the Company will not continue to pursue a transaction with Allergan and factors relating to the time, resources and efforts expended in pursuing a transaction with Allergan;*
- *ability to obtain regulatory approvals and meet other closing conditions to the proposed Allergan transaction, including all necessary stockholder approvals, on a timely basis;*
- *if a transaction between the Company and Allergan occurs, the ultimate outcome and results of integrating the operations of the Company and Allergan, the ultimate outcome of the Company’s pricing and operating strategy applied to Allergan and the ultimate ability to realize synergies;*
- *the effects of the business combination of the Company and Allergan, including the combined company’s future financial condition, operating results, strategy and plans;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt and our ability to raise additional funds, if needed, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *interest rate risks associated with our floating rate debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in those markets);*
- *adverse global economic conditions and credit market and foreign currency exchange uncertainty in the countries in which we do business (such as the recent instability in Russia, Ukraine and the Middle East);*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *our ability to obtain and maintain sufficient intellectual property rights over our products and defend against challenge to such intellectual property;*
- *the outcome of legal proceedings, investigations and regulatory proceedings;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits and/or withdrawals of products from the market;*
- *the availability of and our ability to obtain and maintain adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including, but not limited to, the U.S. Food and Drug Administration, Health Canada and other regulatory approvals, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*

- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *negative publicity or reputational harm to our products and business, including as faced in connection with our proposed transaction with Allergan;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, and in the Company’s other filings with the SEC and CSA. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law.*

**Changes in Earnings Attributable to Valeant Pharmaceuticals International, Inc.**

Net income attributable to Valeant Pharmaceuticals International, Inc. was \$275.4 million in the third quarter of 2014, compared with net loss attributable to Valeant Pharmaceuticals International, Inc. of \$973.2 million in the third quarter of 2013. Net income attributable to Valeant Pharmaceuticals International, Inc. was \$378.6 million in the first nine months of 2014, compared with net loss attributable to Valeant Pharmaceuticals International, Inc. of \$989.9 million in the first nine months of 2013, reflecting the following factors: (i) an increase in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of finite-lived intangible assets) of \$531.5 million and \$1,768.7 million in the third quarter and first nine months of 2014, respectively, as further described below under “Results of Operations - Segment Profit” and (ii) a decrease in operating expenses (driven largely by higher impairment charges in the prior year), as further described below under “Results of Operations - Operating Expenses”.

**Net Income (Loss) Attributable to Noncontrolling Interest**

Net income attributable to noncontrolling interest was \$1.0 million in the third quarter of 2014 and net loss attributable to noncontrolling interest was \$0.5 million in the first nine months of 2014. Net income attributable to noncontrolling interest was \$1.3 million in both the third quarter and first nine months of 2013. Net income (loss) attributable to noncontrolling interest is primarily related to the performance of joint ventures acquired in connection with the B&L Acquisition.

**RESULTS OF OPERATIONS****Reportable Segments**

We have two operating and reportable segments: (i) Developed Markets, and (ii) Emerging Markets. The following is a brief description of our segments:

- **Developed Markets** consists of (i) sales in the U.S. of pharmaceutical products, OTC products, and medical device products, as well as alliance and contract service revenues, in the areas of eye health, dermatology and podiatry, aesthetics, and dentistry, (ii) sales in the U.S. of pharmaceutical products indicated for the treatment of neurological and other diseases, as well as alliance revenue from the licensing of various products we developed or acquired, and (iii) pharmaceutical products, OTC products, and medical device products sold in Canada, Australia, New Zealand, Western Europe and Japan.
- **Emerging Markets** consists of branded generic pharmaceutical products and branded pharmaceuticals, OTC products, and medical device products. Products are sold primarily in Central and Eastern Europe (primarily Poland and Russia), Asia, Latin America (Mexico, Brazil, and Argentina and exports out of Mexico to other Latin American markets), Africa and the Middle East.

**Revenues By Segment**

The following table displays revenues by segment for the third quarters and first nine months of 2014 and 2013, the percentage of each segment’s revenues compared with total revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment’s revenues. Percentages may not add due to rounding.

(\$ in millions)	Three Months Ended September 30,						Nine Months Ended September 30,					
	2014		2013		Change		2014		2013		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Developed Markets	1,507.9	73	1,142.7	74	365.2	32	4,409.4	74	2,722.8	73	1,686.6	62
Emerging Markets	548.3	27	399.0	26	149.3	37	1,574.1	26	983.0	27	591.1	60
Total revenues	2,056.2	100	1,541.7	100	514.5	33	5,983.5	100	3,705.8	100	2,277.7	61

Total revenues increased \$514.5 million, or 33%, to \$2.1 billion in the third quarter of 2014, compared with \$1.5 billion in the third quarter of 2013 and increased \$2.3 billion, or 61%, to \$6.0 billion in the first nine months of 2014, compared with \$3.7 billion in the first nine months of 2013. Approximately 50% of the growth in the third quarter of 2014 was driven by volume. The growth was mainly attributable to the effect of the following factors:

**Developed Markets segment:**

- the incremental product sales revenue of \$254.2 million and \$1,628.6 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the third quarter and first nine months of 2014, respectively, primarily from (i) the 2013 acquisitions of B&L (driven by Ocuvite®/PreserVision®, Lotemax®, ReNu Multiplus®, and Biotrue® MultiPurpose Solution product sales) and (ii) the 2014 acquisitions of Solta Medical (mainly driven by Thermage CPT® system product sales) and PreCision (mainly driven by Clindagel® product sales).

This factor was partially offset by:

- a negative impact from divestitures and discontinuations of \$75.5 million in the third quarter of 2014, and a negative impact from divestitures, discontinuations and supply interruptions of \$176.0 million in first nine months of 2014. The largest contributors were the divestitures of facial injectables products (filler and toxin assets) in the third quarter of 2014, the discontinuation of Maxair® and the divestiture of Buphenyl® in 2013;
- a decrease in product sales of \$33.7 million and \$141.2 million, in the aggregate, in the third quarter and first nine months of 2014, respectively, due to generic competition. The decrease in the third quarter of 2014 related to a decline in sales of the Vanos® franchise and Wellbutrin® XL (Canada). The decrease in the first nine months of 2014 related to a decline in sales of the Vanos®, Retin-A Micro® (excluding RAM 0.08%), and Zovirax® franchises and Wellbutrin® XL (Canada). We anticipate a continuing decline in sales of the Vanos® franchise and Wellbutrin® XL (Canada) due to continued generic erosion. However, the rate of decline is expected to decrease in the future, and these brands are expected to represent a declining percentage of total revenues primarily due to anticipated growth in other parts of our business and recent acquisitions; and
- a negative foreign currency exchange impact on the existing business of \$7.7 million and \$25.1 million in the third quarter and first nine months of 2014, respectively.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$233.1 million and \$386.0 million in the third quarter and first nine months of 2014, respectively. For the third quarter of 2014, slightly more than half of the growth came from price. The growth for the first nine months of 2014 was driven primarily by price. The growth included higher sales of (i) Elidel®, (ii) Solodyn®, (iii) Wellbutrin XL® (U.S.), (iv) Targretin®, and (v) orphan products (Syprine® and Xenazine®). The growth also reflected higher sales from recent product launches, including the launches of Jublia®, Luzu™, and RAM 0.08%.

#### Emerging Markets segment:

- the incremental product sales revenue of \$89.3 million and \$556.3 million, in the aggregate, from all 2013 acquisitions and all 2014 acquisitions in the third quarter and first nine months of 2014, respectively, primarily from the 2013 acquisition of B&L (driven by ReNu Multiplus®, Ocuvite®, and Artelac™ product sales) and the 2014 acquisition of Solta Medical (mainly driven by Thermage CPT® system product sales).

This factor was partially offset by:

- a negative impact from divestitures and discontinuations of \$6.2 million in the third quarter of 2014, and a negative impact from divestitures, discontinuations and supply interruptions of \$50.1 million in the first nine months of 2014, primarily from Eastern Europe and Brazil; and
- a negative foreign currency exchange impact on the existing business of \$17.2 million and \$31.5 million in the third quarter and first nine months of 2014, respectively.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$80.2 million and \$112.3 million in the third quarter and first nine months of 2014, respectively. The vast majority of this growth was driven by volume. The growth reflected higher sales in Russia, Southeast Asia, South Africa, and Mexico.

#### **Segment Profit (Loss)**

Segment profit (loss) is based on operating income after the elimination of intercompany transactions. Certain costs, such as restructuring and acquisition-related costs, in-process research and development impairments and other charges and other (income) expense, are not included in the measure of segment profit (loss), as management excludes these items in assessing segment financial performance. In addition, a portion of share-based compensation is not allocated to segments, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

## **Exhibit 16**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended March 31, 2015**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0448205**  
(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 342,479,119 shares outstanding as of April 27, 2015.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” are to United States (“U.S.”) dollars, references to “€” are to Euros, and references to RUR are to Russian rubles.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions (including the acquisition of Salix Pharmaceuticals, Ltd. (“Salix”)), such as cost savings, operating synergies and growth potential of the Company; our business strategy, business plans and prospects, product pipeline, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “should”, “target”, “potential”, “opportunity”, “tentative”, “positioning”, “designed”, “create”, “predict”, “project”, “forecast”, “seek”, “ongoing”, “increase”, or “upside” and variations or other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a large complex business;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the acquisition and integration of the companies, businesses and products acquired by the Company, such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges and costs associated with managing and integrating new facilities,*

*equipment and other assets, and the achievement of the anticipated benefits from such integrations, as well as risks associated with the acquired companies, businesses and products;*

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *factors relating to our recent acquisition of Salix, including the impact of substantial additional debt on our financial condition and results of operations; our ability to effectively and efficiently integrate the operations of the Company and Salix; our ability to achieve the estimated synergies from this transaction; the challenges associated with entering into Salix's gastrointestinal (GI) business, which is a new business for our Company; our ability to reduce inventory levels of certain of Salix's products and the timing of such reduction; and, once integrated, the effects of such business combination on our future financial condition, operating results, strategy and plans;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt, our ability to raise additional funds, if needed, and any restrictions that are or may be imposed as a result of our current and future indebtedness, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *any downgrade by rating agencies in our corporate credit ratings, which may impact, among other things, our ability to raise additional debt capital and implement elements of our growth strategy;*
- *interest rate risks associated with our floating rate debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in such countries);*
- *adverse global economic conditions and credit markets and foreign currency exchange uncertainty and volatility in the countries in which we do business (such as the recent instability in Russia, Ukraine and the Middle East);*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *the introduction of generic competitors of our branded products;*
- *our ability to obtain and maintain sufficient intellectual property rights over our products and defend against challenges to such intellectual property;*
- *the expense, timing and outcome of legal proceedings, arbitrations, investigations and regulatory proceedings and settlements thereof;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or withdrawals of products from the market;*
- *the availability of and our ability to obtain and maintain adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the U.S. Food and Drug Administration (the "FDA"), Health Canada and similar agencies in other countries (such as the anticipated approval by the FDA of Salix's Xifaxan® product for the indication of irritable bowel syndrome with diarrhea ("IBS-D")), legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*

- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *negative publicity or reputational harm to our products and business;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate;*
- *potential ramifications, including possible financial penalties, relating to Salix’s restatement of its historical financial results and our ability to address historic weaknesses in Salix’s internal control over financial reporting;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, under Item 1A. “Risk Factors” of this Form 10-Q, and in the Company’s other filings with the SEC and CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.*

(\$ in millions)	Three Months Ended March 31,	
	2015	2014
	\$	\$
Gross product sales	3,250.0	2,450.5
Provisions to reduce gross product sales to net product sales	1,103.1	599.4
Net product sales	2,146.9	1,851.1
Percentage of provisions to gross sales	34%	24%

Provisions as a percentage of gross sales increased to 34% for the three months ended March 31, 2015 from 24% in the prior year period. The increase was driven by higher provisions for rebates, chargebacks, and returns, including managed care rebates for Jublia® and the co-pay assistance programs for launch products including Jublia®, Onexton™, and Retin-A Micro® Microsphere 0.08% (“RAM 0.08%”). The increase was also impacted by higher rebate percentages for sales to the U.S. government (including Wellbutrin XL®).

#### **Changes in Earnings Attributable to Valeant Pharmaceuticals International, Inc.**

Net income attributable to Valeant Pharmaceuticals International, Inc. was \$74 million in the first quarter of 2015, compared with net loss attributable to Valeant Pharmaceuticals International, Inc. of \$23 million in the first quarter of 2014, reflecting the following factors: (i) an increase in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of finite-lived intangible assets) of \$240 million in the first quarter of 2015, partially offset by (ii) an increase in operating expenses, driven mainly by an increase in selling, general and administrative expenses. The above changes are further described below under “Results of Operations”.

### **RESULTS OF OPERATIONS**

#### **Reportable Segments**

We have two operating and reportable segments: (i) Developed Markets and (ii) Emerging Markets. The following is a brief description of our segments:

- **Developed Markets** consists of (i) sales in the U.S. of pharmaceutical products, OTC products, and medical device products, as well as alliance and contract service revenues, in the areas of eye health, dermatology and podiatry, aesthetics, and dentistry, (ii) sales in the U.S. of pharmaceutical products indicated for the treatment of neurological and other diseases, as well as alliance revenue from the licensing of various products we developed or acquired, and (iii) pharmaceutical products, OTC products, and medical device products sold in Canada, Australia, New Zealand, Western Europe and Japan.
- **Emerging Markets** consists of branded generic pharmaceutical products and branded pharmaceuticals, OTC products, and medical device products. Products are sold primarily in Central and Eastern Europe (primarily Poland and Russia), Asia, Latin America (Mexico, Brazil, and Argentina and exports out of Mexico to other Latin American markets), Africa and the Middle East.

#### **Revenues By Segment**

The following table displays revenues by segment for the first quarters of 2015 and 2014, the percentage of each segment’s revenues compared with total revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment’s revenues. Percentages may not add due to rounding.

(\$ in millions)	Three Months Ended March 31,					
	2015		2014		Change	
	\$	%	\$	%	\$	%
Developed Markets	1,764.4	81	1,421.8	75	342.6	24
Emerging Markets	426.5	19	464.4	25	(37.9)	(8)
Total revenues	2,190.9	100	1,886.2	100	304.7	16

Total revenues increased \$305 million, or 16%, to \$2.19 billion in the first quarter of 2015. The growth in the Developed Markets was driven primarily by price, as significant volume increases in dermatology and eye health were offset by volume declines for certain neurology & other/generic products and for the Japan market. The growth in the Emerging Markets was driven entirely by volume, as price had a negative impact. The growth was mainly attributable to the effect of the following factors:

Developed Markets segment:

- the incremental product sales revenue of \$208 million (which includes a negative foreign currency exchange impact of \$3 million), in the aggregate, from all 2014 and 2015 acquisitions, primarily from (i) the 2014 acquisition of PreCision Dermatology, Inc. ("PreCision") (mainly driven by Clindagel® product sales) and (ii) the 2015 acquisitions of certain assets of Marathon (mainly driven by Isuprel® and Nitropress® product sales) and assets of Dendreon (Provenge® product sales).

This factor was partially offset by:

- a negative impact from divestitures and discontinuations of \$63 million in first quarter of 2015, primarily driven by \$56 million related to the divestiture in the third quarter of 2014 of facial aesthetic fillers and toxins; and
- a negative foreign currency exchange impact on the existing business of \$59 million in the first quarter of 2015 due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Euro, Canadian dollar, Japanese yen, and Australian dollar.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$247 million in the first quarter of 2015. The growth reflected (1) higher sales of (i) Jublia® (launched in mid-2014), (ii) Targretin®, (iii) Virazole®, (iv) Arestin®, (v) the Carac® franchise, (vi) Lotemax®, (vii) Phenylephrine, (viii) the Retin-A® franchise (including the launch of RAM 0.08% in mid-2014), (ix) CeraVe®, and (x) Xenazine® and (2) higher sales from other recent product launches, including the launches of Biotrue® ONEday, Bausch + Lomb Ultra®, and Onexton™.

Emerging Markets segment:

- the incremental product sales revenue of \$12 million (which includes a negative foreign currency exchange impact of \$1 million), in the aggregate, primarily from all 2014 acquisitions.

This factor was more than offset by:

- a negative foreign currency exchange impact on the existing business of \$77 million in the first quarter of 2015 due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Russian ruble, Polish zloty, Euro, Mexican peso, and Brazilian real; and
- a negative impact from divestitures and discontinuations of \$8 million in the first quarter of 2015, primarily from Latin America and Eastern Europe.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$32 million in the first quarter of 2015. The growth primarily reflected higher sales in Eastern Europe (primarily Poland) and Asia.

**Segment Profit**

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as restructuring, integration and acquisition-related costs, in-process research and development impairments and other charges and other expense (income), are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. In addition, a portion of share-based compensation is not allocated to segments, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

The following table displays profit by segment for the first quarters of 2015 and 2014, the percentage of each segment's profit compared with corresponding segment revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment's profit. Percentages may not add due to rounding.

(S in millions)	Three Months Ended March 31,					
	2015		2014		Change	
	\$	% <sup>(1)</sup>	\$	% <sup>(1)</sup>	\$	%
Developed Markets	636.0	36	439.3	31	196.7	45
Emerging Markets	54.6	13	68.1	15	(13.5)	(20)
Total segment profit	690.6	32	507.4	27	183.2	36

(1) - Represents profit as a percentage of the corresponding revenues.

Total segment profit increased \$183 million, or 36%, to \$691 million in the first quarter of 2015, mainly attributable to the effect of the following factors:

Developed Markets segment:

- an increase in contribution of \$164 million, in the aggregate, from all 2014 and 2015 acquisitions, primarily from sales of Marathon, Dendreon and PreCision products, including higher expenses for acquisition accounting adjustments related to inventory of \$25 million, in the aggregate, in the first quarter of 2015; and
- a favorable impact of \$7 million related to the existing business acquisition accounting adjustments related to inventory in the first quarter of 2014 that did not similarly occur in the first quarter of 2015.

Those factors were partially offset by:

- an increase in operating expenses (including amortization and impairments of finite-lived intangible assets) of \$78 million in first quarter of 2015, primarily associated with the acquisitions of new businesses within the segment;
- a decrease in contribution related to divestitures and discontinuations of \$50 million in the first quarter of 2015, primarily driven by \$44 million related to the divestiture in the third quarter of 2014 of facial aesthetic fillers and toxins; and
- a negative foreign currency exchange impact on the existing business contribution of \$45 million in the first quarter of 2015 due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Euro, Canadian dollar, Japanese yen, and Australian dollar.

Excluding the items described above, we realized incremental contribution from product sales from the remainder of the existing business of \$189 million in the first quarter of 2015. The growth reflected (1) higher sales of (i) Jublia® (launched in mid-2014), (ii) Targretin®, (iii) Virazole®, (iv) Arestin®, (v) the Carac® franchise, (vi) Lotemax®, (vii) Phenylephrine, (viii) the Retin-A® franchise (including the launch of RAM 0.08% in mid-2014), (ix) CeraVe®, and (x) Xenazine® and (2) higher sales from other recent product launches, including the launches of Biotrue® ONEday, Bausch + Lomb Ultra®, and Onexton™.

Emerging Markets segment:

- a decrease in operating expenses (including amortization and impairments of finite-lived intangible assets) of \$12 million in first quarter of 2015; and
- an increase in contribution of \$6 million, primarily from all 2014 acquisitions.

These factors were more than offset by:

- a negative foreign currency exchange impact on the existing business contribution of \$45 million in the first quarter of 2015 due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Russian ruble, Polish zloty, Euro, Mexican peso, and Brazilian real; and
- a decrease in contribution related to divestitures and discontinuations of \$5 million in the first quarter of 2015.

Excluding the items described above, we realized incremental contribution from product sales from the remainder of the existing business of \$19 million in the first quarter of 2015. The growth primarily reflected higher sales in Eastern Europe (primarily Poland) and Asia.

## **Exhibit 17**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended June 30, 2015**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_ to \_**

**Commission File Number: 001-14956**

**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0448205**  
(I.R.S. Employer Identification No.)

**2150 St. Elzéar Blvd. West, Laval, Quebec**  
(Address of principal executive offices)

**H7L 4A8**  
(Zip Code)

**(514) 744-6792**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller  
reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value - 342,788,885 shares outstanding as of July 22, 2015.

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**VALEANT PHARMACEUTICALS INTERNATIONAL, INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015**

**Introductory Note**

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Valeant Pharmaceuticals International, Inc. and its subsidiaries.

In this Form 10-Q, references to “\$” are to United States (“U.S.”) dollars, references to “€” are to Euros, and references to RUR are to Russian rubles.

**Forward-Looking Statements**

Caution regarding forward-looking information and statements and “Safe-Harbor” statements under the U.S. Private Securities Litigation Reform Act of 1995:

*To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities legislation (collectively, “forward-looking statements”).*

*These forward-looking statements relate to, among other things: the expected benefits of our acquisitions and other transactions (including the acquisition of Salix Pharmaceuticals, Ltd. (“Salix”)), such as cost savings, operating synergies and growth potential of the Company; our business strategy, business plans and prospects, product pipeline, prospective products or product approvals, future performance or results of current and anticipated products; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as certain litigation, investigations and regulatory proceedings; general market conditions; and our expectations regarding our financial performance, including revenues, expenses, gross margins, liquidity and income taxes.*

*Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “continue”, “will”, “may”, “could”, “would”, “should”, “target”, “potential”, “opportunity”, “tentative”, “positioning”, “designed”, “create”, “predict”, “project”, “forecast”, “seek”, “ongoing”, “increase”, or “upside” and variations or other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. Although we have indicated above certain of these statements set out herein, all of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including, but not limited to, factors and assumptions regarding the items outlined above. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following:*

- *the challenges and difficulties associated with managing the rapid growth of our Company and a large complex business;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *the introduction of products that compete against our products that do not have patent or data exclusivity rights;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis;*
- *factors relating to the acquisition and integration of the companies, businesses and products acquired by the Company, such as the time and resources required to integrate such companies, businesses and products, the difficulties associated with such integrations (including potential disruptions in sales activities and potential challenges with information technology systems integrations), the difficulties and challenges associated with entering into new business areas and new geographic markets, the difficulties, challenges and costs associated with managing and integrating new facilities,*

equipment and other assets, and the achievement of the anticipated benefits from such integrations, as well as risks associated with the acquired companies, businesses and products;

- *factors relating to our ability to achieve all of the estimated synergies from our acquisitions as a result of cost-rationalization and integration initiatives. These factors may include greater than expected operating costs, the difficulty in eliminating certain duplicative costs, facilities and functions, and the outcome of many operational and strategic decisions, some of which have not yet been made;*
- *factors relating to our recent acquisition of Salix, including the impact of substantial additional debt on our financial condition and results of operations; our ability to effectively and efficiently integrate the operations of the Company and Salix; our ability to achieve the estimated synergies from this transaction; the challenges associated with entering into Salix's gastrointestinal (GI) business, which is a new business for our Company; our ability to further reduce wholesaler inventory levels of certain of Salix's products and the timing of such reduction; and, once integrated, the effects of such business combination on our future financial condition, operating results, strategy and plans;*
- *our ability to secure and maintain third party research, development, manufacturing, marketing or distribution arrangements;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *our substantial debt and debt service obligations and their impact on our financial condition and results of operations;*
- *our future cash flow, our ability to service and repay our existing debt, our ability to raise additional funds, if needed, and any restrictions that are or may be imposed as a result of our current and future indebtedness, in light of our current and projected levels of operations, acquisition activity and general economic conditions;*
- *any downgrade by rating agencies in our corporate credit ratings, which may impact, among other things, our ability to raise additional debt capital and implement elements of our growth strategy;*
- *interest rate risks associated with our floating rate debt borrowings;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering new geographic markets (including the challenges created by new and different regulatory regimes in such countries);*
- *adverse global economic conditions and credit markets and foreign currency exchange uncertainty and volatility in the countries in which we do business (such as the recent instability in Russia, Ukraine and the Middle East);*
- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *the introduction of generic competitors of our branded products;*
- *our ability to obtain and maintain sufficient intellectual property rights over our products and defend against challenges to such intellectual property;*
- *the expense, timing and outcome of legal proceedings, arbitrations, investigations, tax and other regulatory audits, and regulatory proceedings and settlements thereof (including the matters assumed as part of our acquisition of Salix);*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or withdrawals of products from the market;*
- *the availability of and our ability to obtain and maintain adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the U.S. Food and Drug Administration (the "FDA"), Health Canada and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*
- *the results of continuing safety and efficacy studies by industry and government agencies;*

- *ongoing oversight and review of our products and facilities by regulatory and governmental agencies, including periodic audits by the FDA, and the results thereof;*
- *the availability and extent to which our products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price of our products in connection therewith;*
- *the impact of price control restrictions on our products, including the risk of mandated price reductions;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as factors impacting the commercial success of our currently marketed products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio, conducted periodically and in connection with certain acquisitions, the decisions from which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *negative publicity or reputational harm to our products and business;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing;*
- *our ability to obtain components, raw materials or finished products supplied by third parties and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;*
- *compliance with, or the failure to comply with, health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and pricing practices, worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act), worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate;*
- *potential ramifications, including possible financial penalties, relating to Salix's restatement of its historical financial results and our ability to address historic weaknesses in Salix's internal control over financial reporting;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *other risks detailed from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

*Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, under Item 1A. “Risk Factors” of Part II of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, and in the Company’s other filings with the SEC and CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.*

second quarter and first half of 2015, respectively, and (ii) a negative impact from divestitures and discontinuations of \$53 million and \$124 million, in the aggregate, in the second quarter and first half of 2015, respectively. Excluding the items described above, we realized incremental product sales revenue of \$360 million and \$639 million, in the aggregate, in the second quarter and first half of 2015, respectively, related to growth from the remainder of the existing business. The above changes in revenues are further described below under “Results of Operations - Revenues by Segment”.

As is customary in the pharmaceutical industry, our gross product sales are subject to a variety of deductions in arriving at reported net product sales. Provisions for these deductions are recorded concurrently with the recognition of gross product sales revenue and include cash discounts and allowances, chargebacks, and distribution fees, which are paid to direct customers, as well as rebates and returns, which can be paid to both direct and indirect customers. Provision balances relating to estimated amounts payable to direct customers are netted against accounts receivable, and balances relating to indirect customers are included in accrued liabilities. The provisions recorded to reduce gross product sales to net product sales were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
(\$ in millions)	\$	\$	\$	\$
Gross product sales	3,968.6	2,749.6	7,218.6	5,200.1
Provisions to reduce gross product sales to net product sales	1,273.6	755.5	2,376.7	1,354.9
Net product sales	2,695.0	1,994.1	4,841.9	3,845.2
Percentage of provisions to gross sales	32%	27%	33%	26%

Provisions as a percentage of gross sales increased to 32% and 33% for the second quarter and first half of 2015, respectively, compared with 27% and 26% in the second quarter and first half of 2014. The increase was driven by (i) higher provisions for rebates, chargebacks, and returns, including managed care rebates for Jublia® and the co-pay assistance programs for launch products including Jublia®, Onexton®, and Retin-A Micro® Microsphere 0.08% (“RAM 0.08%”) and (ii) higher rebate percentages for sales to the U.S. government (including Wellbutrin XL®) partially offset by (iii) lower provisions (mainly rebates) associated with products acquired in the Salix Acquisition in the second quarter of 2015.

#### *Changes in Earnings Attributable to Valeant Pharmaceuticals International, Inc.*

Net loss attributable to Valeant Pharmaceuticals International, Inc. was \$53 million in the second quarter of 2015, compared with net income of \$126 million in the second quarter of 2014 and net income in the first half of 2015 was \$21 million, compared with net income of \$103 million in the first half of 2014, reflecting the following factors: (i) an increase in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of finite-lived intangible assets) of \$601 million and \$840 million in the second quarter and first half of 2015, respectively, more than offset by (ii) an increase in operating expenses driven mainly by an increase in selling, general and administrative expenses, amortization and impairments of finite-lived intangible assets, and other expense, and (iii) an increase in non-operating expenses driven mainly by interest expense. The above changes are further described below under “Results of Operations”.

## RESULTS OF OPERATIONS

### Reportable Segments

We have two operating and reportable segments: (i) Developed Markets and (ii) Emerging Markets. The following is a brief description of our segments:

- **Developed Markets** consists of (i) sales in the U.S. of pharmaceutical products, OTC products, and medical device products, as well as alliance and contract service revenues, in the areas of dermatology and podiatry, neurology, gastrointestinal disorders, eye health, oncology and urology, dentistry, and aesthetics, and (ii) pharmaceutical products, OTC products, and medical device products sold in Western Europe, Canada, Japan, Australia and New Zealand.
- **Emerging Markets** consists of branded generic pharmaceutical products and branded pharmaceuticals, OTC products, and medical device products. Products are sold primarily in Central and Eastern Europe (primarily Poland and Russia), Asia, Latin America (Mexico, Brazil, and Argentina and exports out of Mexico to other Latin American markets), Africa and the Middle East.

### Revenues By Segment

The following table displays revenues by segment for the second quarters and first halves of 2015 and 2014, the percentage of each segment's revenues compared with total revenues in the respective period, and the dollar and percentage change in the dollar amount of each segment's revenues. Percentages may not add due to rounding.

(\$ in millions)	Three Months Ended June 30,						Six Months Ended June 30,					
	2015		2014		Change		2015		2014		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Developed Markets	2,237.6	82	1,479.7	72	757.9	51	4,002.0	81	2,901.5	74	1,100.5	38
Emerging Markets	494.8	18	561.4	28	(66.6)	(12)	921.3	19	1,025.8	26	(104.5)	(10)
Total revenues	2,732.4	100	2,041.1	100	691.3	34	4,923.3	100	3,927.3	100	996.0	25

Total revenues increased \$691 million, or 34%, to \$2.73 billion in the second quarter of 2015, and increased \$996 million, or 25%, to \$4.92 billion in the first half of 2015. The growth in the Developed Markets was driven primarily by price, as significant volume increases in U.S. dermatology and U.S. eye health were offset by volume declines for certain U.S. neurology & other/generic products. The growth in the Emerging Markets, exclusive of the negative foreign currency exchange impact described below, was driven entirely by volume, as price had a negative impact. The growth was mainly attributable to the effect of the following factors:

Developed Markets segment:

- the incremental product sales revenue of \$546 million and \$754 million (which includes a negative foreign currency exchange impact of \$3 million and \$5 million, in the aggregate, in the second quarter and first half of 2015, respectively), in the aggregate, from all 2014 and 2015 acquisitions in the second quarter and first half of 2015, respectively, primarily from (i) the 2014 acquisition of PreCision Dermatology, Inc. ("PreCision") (mainly driven by Clindagel® product sales) and (ii) the 2015 acquisitions of Salix (mainly driven by Xifaxan®, as well as Apriso®, Glumetza® and Uceris® product sales), certain assets of Marathon (mainly driven by Nitropress® and Isuprel® product sales), and assets of Dendreon (Provenge® product sales). Regarding the Salix Acquisition, we reduced wholesaler inventory levels during the second quarter of 2015, and further reductions are anticipated in the third quarter of 2015.

This factor was partially offset by:

- a negative foreign currency exchange impact on the existing business of \$73 million and \$133 million in the second quarter and first half of 2015, respectively, due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Euro, Canadian dollar, Japanese yen, and Australian dollar; and
- a negative impact from divestitures and discontinuations of \$49 million and \$111 million in the second quarter and first half of 2015, respectively, primarily driven by \$41 million and \$94 million, respectively, related to the divestiture in the third quarter of 2014 of facial aesthetic fillers and toxins.

Excluding the items described above, we realized incremental product sales revenue from the remainder of the existing business of \$337 million and \$584 million in the second quarter and first half of 2015, respectively. The growth reflected (1) higher sales of (i) Jublia® (launched in mid-2014), (ii) Arestin®, (iii) Targretin®, (iv) Solodyn®, (v) the Carac® franchise, (vi) the Retin-A® franchise (including the launch of RAM 0.08% in mid-2014), (vii) Xenazine®, (viii) Ziana®, and (2) higher sales from other recent product launches, including the launches of Biotrue® ONEday, Bausch + Lomb Ultra®, and Onexton®.

Emerging Markets segment:

- the incremental product sales revenue of \$13 million and \$25 million (which includes a negative foreign currency exchange impact of \$1 million and \$2 million, in the aggregate, in the second quarter and first half of 2015, respectively), in the aggregate, primarily from all 2014 acquisitions in the second quarter and first half of 2015, respectively.

This factor was more than offset by:

- a negative foreign currency exchange impact on the existing business of \$96 million and \$172 million in the second quarter and first half of 2015, respectively, due to the impact of a strengthening of the U.S. dollar against certain currencies, including the Russian ruble, Polish zloty, Euro, Brazilian real, and Mexican peso; and